

## Minutes of the 20<sup>th</sup> GST Council Meeting held on 5<sup>th</sup> August, 2017

The twentieth Meeting of the GST Council (hereinafter referred to as 'the Council') was held on 5<sup>th</sup> August, 2017 in Vigyan Bhavan, New Delhi, under the Chairpersonship of the Hon'ble Union Finance Minister, Shri Arun Jaitley. The list of the Hon'ble Members of the Council who attended the meeting is at **Annexure 1** of the Minutes. The list of officers of the Centre, the States, the GST Council and the Goods and Services Tax Network (GSTN) who attended the meeting is at **Annexure 2** of the Minutes.

2. The following agenda items were listed for discussion in the 20<sup>th</sup> Meeting of the Council: –

1. Confirmation of the Minutes of the 18<sup>th</sup> GST Council Meeting held on 30 June 2017.
2. Confirmation of the Minutes of the 19<sup>th</sup> GST Council Meeting held on 17 July 2017.
3. Decisions of the GST Implementation Committee (GIC) for *post-facto* approval.
4. Approval of e-Way Bill System Rule.
5. Recommendations of the Fitment Committee.
- 5 (i) Recommendations of the Fitment Committee (Goods): Indigenous Handmade Musical Instruments.
6. Proposals regarding changes to Central Sales Tax Rules.
7. Any other agenda item with the permission of the Chairperson.
  - i. Amendments to CGST and SGST Rules.
  - ii. Constitution of Standing Committee for Anti-Profitteering.
  - iii. Development of e-Way Bill system by NIC.
  - iv. GST rate on Works Contract Services provided to the Government.
  - v. GST on Profit Petroleum and clarification on Cost Petroleum.
  - vi. Payment Process for Tax Deducted at Source under GST.
  - vii. Amendment of the Procedure and Conduct of Business Regulations of the GST Council.
  - viii. Review of the ceiling rate of the Compensation Cess on motor vehicles.
  - ix. Special provisions in GST in case of supplies to/from Nepal and Bhutan.
  - x. Modification in FORM REG -13 to remove mandatory requirement of PAN for Embassies / Consulates and other UN Organizations.
  - xi. Taxation of rectified spirit/Extra Neutral Alcohol (ENA) under GST.
  - xii. Exemption from IGST on temporary import of goods.

8. Date of the next meeting of the GST Council.

3. The Hon'ble Chairperson welcomed all the Members to the 20<sup>th</sup> Council Meeting. He informed that one change had taken place in the membership of the Council, namely, Shri Bijendra Prasad Yadav from Bihar had a change of responsibility in his State and his place had been taken by Shri Sushil Kumar Modi, the Hon'ble Deputy Chief Minister of Bihar. The Hon'ble Chairperson, on behalf of the Council, placed on record the gratitude and appreciation for the contribution of Shri Bijendra Prasad Yadav and observed that he was a sobering influence during the deliberations and always came up with very pragmatic and practical suggestions. He also warmly welcomed Shri Sushil Kumar Modi, Hon'ble Deputy





Chief Minister of Bihar, as the new Member and recalled that he had earlier served as the Chairman of the Empowered Committee of the State Finance Ministers. The Hon'ble Chairperson thereafter commenced discussion on the agenda items.

### Discussion on Agenda Items

#### Agenda Item 1: Confirmation of the Minutes of the 18<sup>th</sup> GST Council Meeting held on 30<sup>th</sup> June, 2017:

4. The Hon'ble Chairperson invited comments of the Hon'ble Members on the draft Minutes of the 18<sup>th</sup> Meeting of the Council held on 30<sup>th</sup> June, 2017 (hereinafter referred to as 'the Minutes'), the confirmation of which was deferred during the 19<sup>th</sup> meeting of the Council held through video conference. Ms. Vanaja Sarna, Chairman, Central Board of Excise and Customs (CBEC), informed that two written suggestions had been received for making changes in the Minutes.

4.1. The Chairman, CBEC, informed that the first written suggestion was from the Commissioner (State Taxes), Rajasthan, requesting to replace the version of the Hon'ble Minister from Rajasthan in paragraph 7.2 of the Minutes [recorded as: "The Hon'ble Minister from Rajasthan also requested that the rate of tax on handicrafts, hand tools and textiles (Jaipur '*rajaai*') should be relooked"] with the following version: 'The Hon'ble Minister from Rajasthan also requested that the rate of tax on **hotels**, handicrafts, hand tools, textiles (Jaipur '*rajaai*') and **marble statue** should be relooked.' The Council agreed to record the amended version of the Hon'ble Minister from Rajasthan in paragraph 7.2 of the Minutes.

4.2. The Chairman, CBEC, informed that the second written request for change in the Minutes had come from the Commissioner, Commercial Taxes (CCT), Gujarat, requesting to add the following version of the Hon'ble Deputy Chief Minister of Gujarat in paragraph 7.5 of the Minutes: 'The Hon'ble Deputy Chief Minister of Gujarat raised the issue of rate of tax in case of fertilizer and proposed that in light of implementation of GST, the rate of 12% on fertilizer would adversely affect the interest of farmers, especially when input tax credit on natural gas would not be allowed as it remained outside the GST. He, therefore, proposed that the rate of tax on fertilizer should be reduced to 5%.' The Council agreed to add this version of the Hon'ble Deputy Chief Minister of Gujarat in paragraph 7.5 of the Minutes.

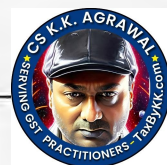
4.3. The Chairman, CBEC, informed that the CCT, Gujarat, had requested that in paragraph 7.6 of the Minutes, in the names of the Hon'ble Ministers, who supported the proposal to tax fertilizer at the rate of 5%, the name of the Hon'ble Deputy Chief Minister of Gujarat was missing and he had requested to insert his name in that paragraph. The Council agreed to the proposed insertion.

4.4. No other proposal was made for amendment to the Minutes of the 18<sup>th</sup> GST Council Meeting.

5. In view of the above discussion, for **agenda item 1**, the Council decided to adopt the Minutes of the 18<sup>th</sup> Meeting of the Council with the changes as recorded below:-

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5.1. In paragraph 7.2 of the Minutes, to replace the version of the Hon'ble Minister from Rajasthan with the following version: 'The Hon'ble Minister from Rajasthan also requested that the rate of tax on hotels, handicrafts, hand tools, textiles (Jaipur 'rajaai') and marble statue should be relooked'.

5.2. In paragraph 7.5 of the Minutes, to appropriately insert the following: 'The Hon'ble Deputy Chief Minister of Gujarat raised the issue of rate of tax in case of fertilizers and proposed that in the light of implementation of the GST, the rate of 12% on fertilizers would adversely affect the interest of farmers, especially when input tax credit on natural gas would not be allowed as it remained outside the GST. He, therefore, proposed that the rate of tax should be reduced to 5% on fertilizer'.

5.3. In paragraph 7.6 of the Minutes, to insert the name of the Hon'ble Deputy Chief Minister of Gujarat in the list of Hon'ble Ministers who supported the proposal to tax fertilizer at the rate of 5%.

**Agenda Item 2: Confirmation of the Minutes of the 19<sup>th</sup> GST Council Meeting held on 17<sup>th</sup> July, 2017:**

6. The Chairman, CBEC, informed that no written proposal had been received for amendment to the Minutes of the 19<sup>th</sup> GST Council Meeting. The Hon'ble Chairperson asked for any comments on the Minutes. However, there were no comments on the Minutes. The Council adopted the draft Minutes without any changes.

7. For **agenda item 2**, The Council decided to adopt the draft Minutes of the 19<sup>th</sup> Meeting of the Council without any changes.

**Agenda Item 3: Decisions of the GST Implementation Committee (GIC) for post-facto approval:**

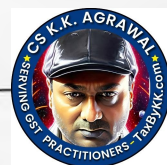
8. The Chairman, CBEC, informed that the decisions of the GIC taken between 1 July, 2017 and 31 July, 2017 were discussed and approved during the meeting of the officers of the Central Government and the State Governments held in the morning today. She suggested that the Council could approve these decisions. The Council approved the decisions of the GIC as listed at **Annexure 3** of the Minutes.

9. For **agenda item 3**, the Council approved the decisions of the GST Implementation Committee listed in **Annexure 3** of the Minutes.

**Agenda item 4: Approval of e-Way Bill Rules**

10. Introducing this item, the Chairman, CBEC, stated that the draft e-Way Bill Rules presented in the Agenda Notes were discussed in detail during the meeting of the officers of the Central Government and the State Governments held in the morning. The Hon'ble Chairperson desired that a presentation should be made before the Council explaining the broad features of the e-Way Bill System.



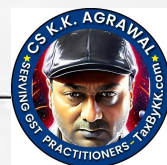


10.1. Shri Upender Gupta, Commissioner (GST Policy Wing), CBEC, made a presentation highlighting the important features of the proposed e-Way Bill Rules and also highlighted the changes agreed to the draft Rules during the meeting of the officers of the Central Government and the State Governments held in the morning. The presentation is at **Annexure 4** of the Minutes. As regards the changes agreed upon during the meeting of the officers in the morning, he informed that the e-Way Bill was proposed to be introduced from 1<sup>st</sup> October 2017 but during the Officers meeting, it was decided to mention in the Rule that it would be implemented from a date to be notified in order to factor in any unexpected delay in the roll out of e-Way Bill. Another proposed change was that the value of consignment for generation of e-Way bill should be reduced from Rs. One lakh to Rs. 50,000. Another change proposed was in respect of the validity of the e-Way Bill, wherein it was agreed that instead of the proposed validity based on the distance travelled such as one day for a distance of less than 100 km; three days for distance travelled between 100 km or more but less than 300 km; five days for distance travelled between 300 km but less than 500 km, etc., the validity of e-Way Bill shall be one day for travel upto a distance of 100 km and an additional one day for travel of every 100 km or part thereof. Another change agreed upon was that coral, worked and unworked, would be kept in the list of goods for which e-Way Bill was not required. It was also agreed to correct a typographical error in Rule 138(12)(d) by adding the missing word 'not'. Yet another change agreed upon was in FORM GST EWB-01 wherein it was agreed that HSN Code in column A.6 shall be indicated at minimum two-digit level for taxpayers having annual turnover of up to Rs. five crore in the preceding financial year and at four-digit level for taxpayers having annual turnover above Rs. five crore in the preceding financial year.

10.2. Starting the discussion on this agenda item, the Hon'ble Deputy Chief Minister of Delhi raised a fundamental question whether there was a justification for e-Way Bill System when the country had moved towards the concept of one tax, one market. He expressed an apprehension that e-Way Bill System could increase Inspector *Raj* in the name of checking the e-Way Bill and this could create problem for the taxpayers. He stated that since such a big tax reform had been undertaken, the Council could dare to take a risk and do away with the system of e-Way Bill. The Hon'ble Chairperson stated that one view was that after the removal of octroi, there was no need for e-Way Bill System but since States had more experience on this subject, their point of view needed to be considered. Shri Ritvik Pandey, CCT, Karnataka, explained that the e-Way Bill System essentially worked on the basis of self-declaration and it considerably improved compliance for invoicing the supplies. He stated that e-Way Bill created a disincentive for not issuing invoices. He added that generation of e-Way Bill involved minimal human interface. He further added that the State's experience was that the earlier systems under sales tax and VAT of generating road permit, e-permit, meta permit, delivery note etc. created an incentive for doing transaction in cash whereas the e-Way Bill System improved the climate of tax compliance. This also made movement of goods easier without any checks or obstruction on the way. He added that the Radio Frequency Identification (RFID) readers would be mounted on the highways to capture the details of the moving conveyance. He pointed out that invoice uploading was a *post facto* activity whereas e-Way Bill was to be uploaded before the start of journey. He added that e-Way Bill System would help to create a risk matrix in terms of comparing the number of invoices issued and the number of e-Way Bills generated during a month. The Hon'ble Chairperson enquired whether the requirement of e-Way Bill System would apply for both inter-State and intra-

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State movement of goods. The CCT, Karnataka replied in the affirmative and stated that the aim should be to develop an eco-system where transactions were pre-declared and only then it would create a disincentive mechanism for non-invoicing of supplies as at the end of the year, the number of invoices issued by a registered person could be compared with the number of e-Way Bills generated during the year and the mismatch in the number could be taken as a risk factor for audit purpose.

10.3. The Hon'ble Deputy Chief Minister of Delhi stated that if the intention was to collect information online, the risk was that it would lead to creation of fictitious documents but in case these documents were also to be cross-checked, then it would lead to Inspector *Raj. Shri Hasmukh Adhia*, the Secretary to the Council (hereinafter referred to as the 'Secretary') stated that it would not be easy to create fictitious e-Way Bills because GSTIN of the supplier and the recipient would be matched on the portal of the Goods and Services Tax Network (GSTN). He added that there would be full data of movement of goods in the System without the need for any inspector to check the information. He observed that fictitious documents could be created only if there was evasion of tax along the entire supply chain. He added that there could be a physical check on the road but that was mainly to see whether the e-Way Bill was being carried in the conveyance and not necessarily to physically check the goods in the conveyance.

10.4. The Hon'ble Minister from Kerala observed that if e-Way Bill System was not introduced soon, his State might have to resort to physical verification of the goods as in the past. He stated that they were getting representations from trade itself that high value items like plywood, granite and marble were being transported without invoices or proper documentation. He observed that there was a need to have an effective e-Way Bill System along with RFID to check such malpractice. The Hon'ble Chairperson observed that the concern of the Hon'ble Deputy Chief Minister of Delhi was whether e-Way Bill System would result in stopping and checking of a large number of vehicles. The Hon'ble Minister from Kerala observed that the rules provided sufficient safeguards against such a possibility like if a conveyance had been checked once, it need not be checked again, except if there was specific intelligence. The Secretary stated that in the absence of a national e-Way Bill System, each State was allowed to maintain its own e-Way Bill System and this was creating problem for taxpayers as they had to carry e-Way Bill for each State. He added that due to this, the taxpayers were also in favour of a unified, national e-Way Bill System. The Hon'ble Minister from Uttarakhand observed that e-Way Bill was a good system and his State had provision for generating e-Way Bill for transport of goods above a value of Rs. five thousand and mobile teams were used to check these e-Way Bills. He observed that it could create some difficulty for his State in respect of transport of low value handlooms, like shawls, etc. which were sold in nearby States for which e-Way Bills would have to be generated. The Hon'ble Minister from Karnataka stated that the e-Way Bill System would help in seamless movement of goods and would thus further the objective of one nation, one tax. This would help to avoid creation of physical barrier for movement of goods and would thus help to evolve towards a system largely based on non-human interference, a stated goal of the Hon'ble Deputy Chief Minister of Delhi too.

10.5. The Hon'ble Minister from Goa stated that e-Way Bill System was addressing the issues raised by the Hon'ble Deputy Chief Minister of Delhi. He stated that it was a very good







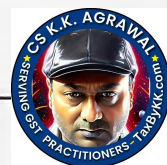
system in the GST regime, as earlier bills were generated at one stage but were destroyed after the goods reached their destination. He stated that now with the e-Way Bill System, such malpractice would be caught at some stage or the other. He observed that this was one of the most important features of GST and stated that the smaller States like his would have been happier if the value limit of consignment for generating e-Way Bill was lesser than Rs. 50,000. The Hon'ble Chief Minister of Puducherry stated that the officers would not check goods on the road without information and the e-Way Bill System would make it easier for transporters to transport goods. He added that it would also improve the account of goods and transparency as detention of a conveyance beyond 30 minutes could be reported on the GSTN portal. The Hon'ble Deputy Chief Minister of Gujarat observed that checking of goods in the conveyance was required but how and what percentage should be checked could be discussed further. He added that surprise checking would need to be continued. He observed that tax on high value items was already being evaded and if the system of checks was discontinued, it would further hurt the revenue of the State.

10.6. The Hon'ble Minister from Chhattisgarh supported the view of the Hon'ble Deputy Chief Minister of Delhi and echoed his fear that e-Way Bill System could reintroduce Inspector *Raj*. He observed that Section 68 of the CGST and SGST Acts permitted inspection of goods in movement and this could be a sufficient deterrence against tax evasion. He proposed not to implement the e-Way Bill System and observed that tax evasion could be dealt through other ways. The Hon'ble Deputy Chief Minister of Gujarat stated that the fear of checking the e-Way Bill would encourage the suppliers to generate e-Way Bills and the check would largely be in terms of verifying the e-Way Bills. The Hon'ble Minister from Chhattisgarh expressed the apprehension that no e-Way Bill would be generated by tax evaders. Dr. P.D. Vaghela, CCT, Gujarat, stated that the GST law provided for checking goods in movement and the choice was whether such checking should be done through physical verification by officers or through a national level e-Way Bill System. He suggested that the latter was more desirable and added that a limited level of surprise checks could be maintained so as to have a deterrent effect but harassment should be avoided. He mentioned that the experience of Gujarat since introduction of e-Way Bill System in November, 2014 was encouraging and the requirement of validation of the e-Way Bill in his State would not be needed if RFID was implemented. The Hon'ble Chairperson enquired regarding the quantum of physical verification of vehicles in Gujarat, and CCT, Gujarat informed that at one of the busiest check post in his State, namely Amirgarh, nearly 5,000 vehicles crossed every day, and out of these, only 15-20 vehicles were checked, based on the computer-generated alerts.

10.7. The Hon'ble Deputy Chief Minister of Bihar appreciated the drafting of e-Way Bill Rules with its checks and balances, such as reporting by the transporter if he was detained for more than 30 minutes; only Commissioner to authorise officers to carry out verification of documents and conveyances; only one inspection to be conducted on the way, etc. He observed that the e-Way Bill System could be further liberalised and simplified after two or three years and it should be implemented at this stage as per the discussions already held. He observed that as a consuming State, they supported the introduction of e-Way Bill System to check evasion of taxes and that they would suffer big loss of revenue, if both check posts and e-Way Bill System were discontinued.

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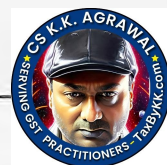
10.8. The Hon'ble Minister from Assam stated that the e-Way Bill system was of utmost necessity and expressed that there were already reports that in the absence of check-posts, non-tax paid goods were entering his State in large quantities. He stated that if the system of e-Way Bill was not introduced, proper officers would be allowed to conduct checks on the road, which was less business friendly. He observed that there should be no rethinking regarding introduction of e-Way Bill System.

10.9. The Hon'ble Minister from West Bengal appreciated the rich discussion on the subject. He observed that in his State, electronic Way Bill was in place for 5 to 6 years and it applied to all transport vehicles on self-declaration basis because his State levied entry tax of 1% on all goods coming into the State. He added that in his State, checking of e-Way Bill was done on random basis and that too only by uplinking it to the System to verify its genuineness and the mechanism had worked well. He stated that keeping in mind the views expressed by the Hon'ble Deputy Chief Minister of Delhi and the Hon'ble Minister from Chhattisgarh, the scope of e-Way Bill System could be further narrowed down. In this light, he supported the proposal that e-Way Bill should be required only for consignments whose value exceeded Rs. one lakh. He also suggested that instead of the Commissioner authorising verification of documents and conveyances, a system of randomised checking through computers should be adopted. He stated for the first one or two years, e-Way Bill System should be introduced keeping in mind the difficulty of small tax payers, and it could be made stricter at a later date. He also emphasised that no check posts should be maintained by any State and the e-Way Bill System should be a technology based system for checking. He also suggested that the e-Way Bill System could be reviewed by the Council after one year.

10.10. The Hon'ble Minister from Rajasthan stated that the limit of the distance of 10 km for not furnishing details of the transporter in Part B of Form GSTEWB01 should be within a municipal limit and not for the whole State. He also suggested to keep the consignment value for generating e-Way Bill at Rs. one lakh. The Hon'ble Deputy Chief Minister of Delhi stated that earlier, there had been two tax systems and the Central Excise had no system of e-Way Bill whereas the States had a system of e-Way Bill. He stated that now the State boundaries were not that important as the new tax system went beyond State boundaries. The Hon'ble Deputy Chief Minister of Bihar stated that the monetary limit of e-Way Bill in his State was Rs. 10,000, which was now being increased to Rs. 50,000 and advised against increasing this limit further. As regards difficulties that might be faced by small traders, he observed that e-Way Bills could be generated by big traders on behalf of small traders from whom the small traders made purchases. Summarising the discussion, the Hon'ble Chairperson observed that a majority of the States were in favour of having the e-Way Bill System whereas an alternative view was that Inspector *Raj* should not be reintroduced due to the e-Way Bill System. He added that there was a view that there should be a fear of checking but the e-Way Bill System should be largely IT-driven. He further added that the Hon'ble Minister from West Bengal had suggested to balance the two views and increase the limit of the value of consignment for generating e-Way Bills to Rs. one lakh.

10.11. The Hon'ble Minister from Kerala stated that the consignment value for generating e-Way Bills could be kept at Rs. one lakh and randomised checking could be adopted, but the Commissioner's power to authorise checking should remain intact. The Hon'ble Minister from Haryana expressed his support for the proposed e-Way Bill Rules, as presented before





the Council and stated that the Commissioner should exercise his power judiciously. He observed that his State was a victim of large quantum of tax evasion as about 5,000 trucks came to his State from Delhi every day. He observed that for effective implementation of GST, e-Way Bill System was very important. He added that due to a few unscrupulous elements, rest of the business was forced to respond to the market distortions and indulge in unscrupulous behaviour. He strongly suggested that the provisions of e-Way Bill System should be introduced as proposed, and these could be reviewed after some time. The Hon'ble Minister from Punjab strongly supported the proposal for the e-Way Bill System and observed that there was a large amount of tax evasion. He observed that there were rogue transport companies which were willing to run the gauntlet for some extra charge. He supported to keep the monetary limit of consignment for generating e-Way Bills at Rs. 50,000.

10.12. Shri Somesh Kumar, Principal Secretary, Telangana, stated that his State supported e-Way Bill System as their experience of implementing it for last seven years had been positive and it had brought down corruption. He observed that the e-Way Bill Rules has a good feature of reporting by the transporter whose conveyance was detained beyond 30 minutes and this could help to unearth pattern of harassment by individual officers. The CCT Karnataka stated that due to the limitations of manpower, checking of e-Way Bill documents was not more than 2% in his State. He stated that mostly, verification would be done by scanning the bar code on the e-Way Bill and only in case of any doubt, goods would be unloaded for physical verification.

10.13. The Hon'ble Chairperson observed that there was a good discussion on e-Way Bill System and sought the views of the Hon'ble Members on the suggestions made by the Hon'ble Minister from West Bengal, which he suggested to take as the basis for arriving at a decision on the issue. He stated that the first element of decision could be that no check posts shall be maintained by the States. The second element could be that the e-Way Bill System shall preferably be technology enabled but, on the basis of information received, action could also be taken by officers against activities of rogue transport companies. Thirdly, after a reasonable period of time, functioning of the e-Way Bill System could be reviewed to see whether it had led to harassment or checked tax evasion. The fourth element could be to apply the e-Way Bill System for consignments valued at more than Rs. one lakh. The Hon'ble Ministers from Haryana, Uttar Pradesh, Assam and Goa strongly suggested that the value limit for consignment for generating e-Way Bills should be Rs. 50,000. The Hon'ble Chairperson stated that in view of the strong sentiments expressed by some States, to start with, the e-Way Bill System could be applied for consignments of value exceeding Rs. 50,000 and it could be reviewed after some reasonable time. The Council agreed to these suggestions. The Hon'ble Chairperson enquired regarding the likely date of implementation of the e-Way Bill System. The Secretary stated that implementation was targeted from 1 October, 2017, but the rules would state that it would be implemented from a date to be notified. The Hon'ble Minister from Kerala enquired whether RFID could be made mandatory for all transport vehicles. The Secretary stated that there was a need to look at infrastructure issues and to work in consultation with the Ministry of Road Transport and Highways. He informed that there was a Working Group in the GST Council on this subject which also had a representative from the Ministry of Road Transport and Highways.





11. For **agenda item 4**, the Council approved the e-Way Bill Rules along with Forms as presented with the following modifications: (i) e-Way Bill Rule would be implemented from a date to be notified, and the target date was 1 October 2017; (ii) e-Way Bill will be generated for movement of goods of consignment value exceeding Rs. 50,000 and not Rs. One lakh as proposed in the Rules and this value limit shall be reviewed after some reasonable time; (iii) e-Way Bill shall be valid for a period of one day for every 100 km or part thereof of the distance travelled by a conveyance; (iv) coral, worked and unworked, would be kept in the list of the goods for which e-Way Bill was not required; (v) to correct a typographical error in Rule 138(12)(d) by adding the missing word 'not'; (vi) In FORM GST EWB-01, HSN Code in column A.6 shall be indicated at minimum two-digit level for taxpayers having annual turnover of up to Rs. five crore in the preceding financial year and at four-digit level for taxpayers having annual turnover above Rs. five crore in the preceding financial year.

11.1. The Council also agreed that: (a) no State shall keep check posts; (b) e-Way Bill System shall be preferably technology enabled but the Commissioner shall have power to authorise checks; and (c) functioning of the e-Way Bill System shall be reviewed after a reasonable period of time.

**Agenda item 5: Recommendations of the Fitment Committee (Goods):**

12. The Secretary introduced this agenda item and stated that after implementation of GST with effect from 1 July, 2017, a number of representations were received from various stakeholders regarding rates on different goods and services. References were also received from Ministers, Ministries and Secretaries and other officers of the Centre and the States. These references were compiled in a broadsheet. The CCT, West Bengal, had also compiled the issues raised by different States, namely, Chhattisgarh, Gujarat, Haryana, Kerala, Maharashtra, Nagaland, Puducherry, Rajasthan, Karnataka, Tamil Nadu, Telangana, Uttar Pradesh and West Bengal. All these broadsheets were discussed by the Fitment Committee in its meetings held on 25 July, 31 July, and 1 August, 2017 and the recommendations of the Committee were placed before the Council. He pointed out that Annexure I of Agenda Notes for Agenda Item 5 (Volume-1), contained the list of goods on which change in GST rate was proposed by the Fitment Committee. Due to lack of time, only a few goods could be taken up for discussion. A record of these discussions is as below:

**Concentrated milk or milk powder consumed by distinct persons as per Section 25(4) for conversion into milk for distribution through dairy cooperatives (HSN Code 0402)** (Sl.No.1 of Annexure I of Agenda Notes, Volume-1):

12.1. The Fitment Committee proposed to issue a notification to enable refund of 5% of IGST paid on milk powder used for conversion into milk for distribution through dairy co-operatives, on which 5% GST rate was prescribed. The CCT, Karnataka, stated that giving refund would imply zero rating of such supplies which was not desirable. He suggested that these should be exempted from payment of GST. The Council agreed to this suggestion.

**Tractor Parts** (Sr. No.23 of Annexure I of Agenda Notes, Volume-1):

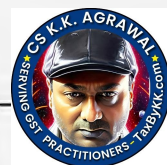




12.2. The Secretary drew attention to the agenda note on tractor parts where it was stated that certain specified parts of tractor attracted 28% GST and that reference had been made to the Department of Heavy Industry (DHI), Government of India regarding parts of tractor that could be taxed at the rate of 18%. He informed that DHI had got the issue examined in consultation with the Automotive Research Association of India (ARAI), Pune; the International Centre for Automotive Technology (ICAT), Manesar; and the Automotive Component Manufacturers Association (ACMA), and based on this, the Secretary, DHI [in his DO letter No.12/31/2017/AE.I (Pt.) dated 2 August, 2017] had recommended a list of parts that are used exclusively for tractors and which could be kept in the tax slab of 18%. The Secretary, DHI had also suggested that a separate identification code be considered so that identification of tractor parts could be done seamlessly and also that the lower rate of tax, as permitted for tractor parts, was not misused. The parts, as recommended by DHI, are as follows (with proposed HSN Code in brackets): (i) Agricultural diesel engine of capacity exceeding 250 cc for Tractor (8408 2020); (ii) Radiator assembly for tractors and parts thereof (8708 9100); (iii) Cooling system for tractor engine and parts thereof (8708 9100); (iv) Silencer assembly for tractors and parts thereof (8708 9200); (v) Transaxles and parts thereof for tractors (8708 5000); (vi) Gear boxes and parts thereof for tractors (8708 4000); (vii) Hydraulic and parts thereof for tractors (8708 9900); (viii) Brakes assembly and parts thereof for tractors (8708 3000); (ix) Clutch assembly and parts thereof for tractors (8708 9300); (x) Road wheels and parts and accessories thereof for tractors (8708 7000); (xi) Steering wheels and parts thereof for tractors (8708 9400); (xii) Bumpers and parts thereof for tractors (8708 1010); (xiii) Fender; Hood Wrapper; Grill, Side panel, Extension plates, Fuel tank and parts thereof for tractors (8708 9900); (xiv) Hydraulic pumps for tractors (8413 8190); (xv) Tyre for tractors (4011 7000); and (xvi) Tube for tractor tyres (4013 9049). The Council approved that the above listed tractor parts be taxed at the rate of 18%.

12.3. A discussion took place on the Fitment Committee recommendation on **tamarind dried (HSN Code 0813)** (Sl.No.2 of Annexure I of Agenda Notes, Vol.-1) to reduce the rate of GST from 12% to 5%. The Hon'ble Minister from Odisha suggested that 'tamarind dried' should be exempted from GST. The Secretary stated that all spices such as mustard seed, *jeera*, etc. were taxed at the rate of 5%, and therefore, 'tamarind dried' was also proposed to be taxed at the rate of 5%. Dr. C. Chandramouli, Additional Chief Secretary, Tamil Nadu, stated that fresh tamarind was exempt from GST and 'tamarind dried' was not defined as a spice by the Spices Board. He observed that it was an ingredient for staple food like *rasam*, *sambhar*, etc. and not used as spices. The Hon'ble Chief Minister of Puducherry stated that when fresh tamarind was not taxed, 'tamarind dried' should also be exempt as it was a staple food for poor people in the coastal areas. The Hon'ble Minister from Assam supported the reduction of GST rate on 'tamarind dried' from 12% to 5%. The Hon'ble Minister from Goa supported this view. The Hon'ble Minister from Kerala stated that the time available was not sufficient for discussion on the proposals for changes in GST rates of goods as recommended by the Fitment Committee and that such important proposals for change in rates of tax would require adequate time to deliberate upon. The Council decided to defer discussion on the proposals on goods to the next meeting of the Council, except the proposal regarding concentrated milk or milk powder consumed by distinct persons as per Section 25(4) for conversion into milk for distribution through dairy cooperatives and tractor parts.





12.4. The Hon'ble Minister from Maharashtra stated that idols made of clay of Ganapati (Sl.No.17 of Annexure I of Agenda Notes, Volume-1) should be kept at nil rate. The Hon'ble Minister from West Bengal also supported the proposal and stated that idols of Goddess *Durga* and *Kali* were made of clay. The Hon'ble Minister from Goa also supported this proposal and stated that in his State, *Ganesh* festival was celebrated with clay idols.

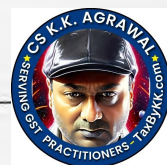
12.5. The Hon'ble Minister from Maharashtra suggested that roasted gram (Sl.No.4 of Annexure I of Agenda Notes, Volume-1), which was presently being taxed at the rate of 5% should be exempted from tax. He also suggested that plastic raincoats (Sl.No.10 of Annexure I of Agenda Notes, Volume-1) should be taxed at the rate of 12% instead of 18%. The Hon'ble Minister from West Bengal suggested that dry fish should be exempt from tax as it was used by poor people and all other types of fish were exempt. The Hon'ble Minister from Tamil Nadu supported this suggestion and stated that naturally dried fish was prepared by women self-help Group from the fishermen community. The Hon'ble Minister from Odisha stated that dry fish was consumed by poor people and it was exempted under Odisha VAT Act. Dry Fish should be exempted under GST. The Hon'ble Chairperson suggested that recommendations of the Fitment Committee should be taken up for discussion in a systematic manner as they had spent three days discussing the proposals on goods and services.

12.6. Shri R.K. Tiwari, Additional Chief Secretary (Finance), Uttar Pradesh, suggested that in order to take a more considered view on the tax rate related proposals, the following information should be provided in the agenda notes: (i) Pre-GST incidence of tax; (ii) Estimate of likely revenue loss due to proposed reduction in tax rate; (iii) Detailed minutes of the Fitment Committee shared in advance.

12.7. The Hon'ble Minister from Assam stated that States should get a chance to know how much revenue was being lost by the States on account of a proposal for tax reduction in a commodity. He added that information regarding loss of revenue to the States was also important for the Central Government as such revenue loss would need to be compensated by the Central Government. The Hon'ble Deputy Chief Minister of Gujarat stated that the recommendations of the Fitment Committee were formulated on the basis of suggestions made by the States, and therefore, it was desirable that the Fitment Committee's recommendations should be deliberated upon and decided at an early date. He also suggested that the recommendations of the Fitment Committee should indicate the name of the State(s) from which the proposal for reconsideration of the rate on a particular good or service had been received.

12.8. The Hon'ble Minister from Jammu & Kashmir stated that there should be some rational basis for recommending rates of tax. He observed that the Fitment Committee's recommendations had been *ad hoc* and advised against responding to pressures for rate reduction. He observed that the comments in respect of items like *Saree* Fall (Sl. No.15 of Annexure I of Agenda Notes, Volume-1) that "it is like a fabric used to ensure proper fall in Sarees"; and Custard powder (Sl.No.5 of Annexure I of Agenda Notes, Volume-1) that it is "used by lower and middle income families" did not appear rational. He also stated that *puja samagri*, *hawansamagri*, etc. were appearing frequently as proposals for rate reduction. He observed that his State was struggling in relation to the rate of tax for handicrafts, hand-made carpets, walnuts and almonds but he had refrained from bringing these issues to the Council.





He suggested that fixation of rates should be attempted in a more refined fashion and floor rate could be considered for fixation through a method of statistical distribution under a Sub-Group of Hon'ble Ministers. The Hon'ble Minister from Punjab suggested that some finality should be reached regarding rates instead of considering them in every Council meeting as this was leading to political disputes in the States. He also suggested to adopt certain broad principles for fixing tax rate, like the rate of tax on job work and on the related good should be the same; and identifiable parts of a machine should have the same rate of tax as the machine itself.

12.9. The Hon'ble Minister from Telangana stated that the Council had taken broad based outlook on issues of national importance like fertilizers but some other issues were of regional and local character such as marble and small granite units which were very important for States like Telangana and Rajasthan as they provided large scale employment in their States. He stated that if only broad-based issues were taken up, it could undermine items of local importance for the States. He observed that dry tamarind might look a small issue but it had an impact on the price of food commodities and it was very important for some States as it was consumed by the lower strata of the society.

12.10. The Hon'ble Chairperson stated that the recommendations on rate reduction needed to be balanced with revenue requirements. He observed that if each State put pressure to reduce tax rate on different items, it would adversely affect the revenue. The Hon'ble Minister from Telangana observed that tax rate on items like *Bidi* and granite were linked to the larger livelihood issues. The Hon'ble Chairperson responded that tax was ultimately paid by the consumers. The Hon'ble Minister from Telangana observed that when increased tax incidence was passed on to the consumers, it had a ripple impact by lowering sales.

12.11. The Hon'ble Minister from Punjab stated that certain issues were emotive for his State and needed to be addressed. He raised the issue of exemption from tax on goods purchased for the *langar* of the Golden Temple, which had never been taxed in the last 350 years. The Hon'ble Chairperson observed that *langar* and *prasad* were already exempt. However, ingredients for preparing *langar* like sugar and *ghee* were not exempt as it was not desirable to have end-use based exemption of taxes. He pointed out that cement and steel used for building temples would also pay tax. He added that Punjab earlier levied purchase tax on rice and wheat. The Hon'ble Minister from Punjab stated that there was a refund mechanism for the purchase tax paid by the Golden Temple. The Hon'ble Chairperson observed that the same procedure could be continued by the State Government for their share of tax.

#### **Recommendations of the Fitment Committee (Services):**

13. Introducing the recommendations of the Fitment Committee on Services, the Secretary stated that the Fitment Committee in its meetings held on 25th July, 31st July and 1<sup>st</sup> August, 2017 deliberated upon the representations regarding the rate of tax on services received from Hon'ble Ministers, Ministries and Secretaries and other officers of the Centre and the States. He drew attention to Annexure I of Agenda Notes, Volume-2 relating to recommendations on rate of tax on services and proposed that these recommendations could be accepted. He stated that the two main issues covered in Annexure I of Agenda Notes,

CHAIRMAN'S  
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Volume-2 related to the rate of GST for job work in textile sector and the rate of GST for supply of Works Contract services to the Government.

13.1. With reference to rate of tax on job work in textile sector, the Secretary stated that presently tax on job work for textiles was at the rate of 5% only upto the fabric stage. He placed before the consideration of the Council, a proposal to extend the GST rate of 5% upto the stage of processing of textile fabrics. The Secretary drew attention to the recommendations of the Fitment Committee contained in Annexure I of Volume 2 of the agenda notes relating to reduction in the rate of tax on supply of the following job work services in the textile sector and proposed that tax on all these job work related services could be reduced to 5%: (i) Services in relation to man-made filament yarn from 18% to 5% (S.No.2 of Annexure I of Agenda Notes, Volume-2); (ii) Services in relation to shawls and other garments and made-ups from 18% to 5% (S.No.3 of Annexure I of Agenda Notes, Volume-2); (iii) Services in relation to *jarikasab* and embroidery to be reduced from 18% to 12% or 5% (S.No. 4 of Annexure I of Agenda Notes, Volume-2); (iv) Services in relation to handmade carpets to be reduced from 18% to 5% (S.No.5 of Annexure I of Agenda Notes, Volume-2).

13.2. The Council approved the proposal to reduce the rate of GST on the textile related job work services listed in paragraph 13.1 above to 5%.

13.3. The Hon'ble Minister from West Bengal stated that he not only supported the proposal to reduce the rate of tax on job work on textiles up to the fabric level, but further proposed that this 5% rate of tax should be extended to job work on garments such as embroidery, stitching, ironing, etc. as these activities were done by the poor people. He stated that by extending the rate of tax of 5% for job work on garments, the job work services in the entire textile chain would be subject to a uniform tax rate of 5%.

13.4. The Secretary stated that the apparel had two tax rates viz. one for apparel sold at a price of less than Rs.1, 000 (5%) and the other for apparel sold at a price above Rs.1,000 (12%). He placed for consideration before the Council whether the rate of tax on job work on apparel should be 5% or 12%.

13.5. The CCT, Gujarat observed that if the rate of tax on job work was very high, compliance would be difficult. He pointed out that tax on job work in textile sector was being imposed for the first time. He suggested that 5% rate of tax should not only be on job work for garment but also for made-ups, *jari* work, stitching of saree fall, embroidery, *butta* work, stone work, mirror work etc. on fabrics, garments and made-ups. The Hon'ble Minister from West Bengal reiterated that tax on job work services for the entire textile chain, i.e. for the textiles and textile products falling within Chapters 50 to 63 of the First Schedule to the Customs Tariff Act should be kept at 5%. After deliberation, the Council agreed to this proposal.

13.6. The Secretary stated that Annexure I of Agenda Notes, Volume-2, relating to Services (S.No.13) proposed to reduce GST rate on Works Contract services provided to the Government, local authority or government authority from 18% to 12%. He stated that the Fitment Committee had recommended this reduction keeping in mind the fact that Works Contract service provided to the Government was earlier exempt from service tax. The





proposed reduction broadly included services in respect of a historical monument, archaeological site or remains of national importance; canal, dam or other irrigations works; pipeline for water supply, water treatment, sewerage treatment or disposal; bridge, tunnel or terminal for road transportation for use by general public; a residential complex predominantly meant for self-use or for use of employees; a road, bridge, tunnel or terminal for road transportation for use by general public; civil structure or any other original work pertaining to a scheme under Jawaharlal Nehru National Urban Renewal Mission or Rajiv Awaas Yojana; civil structure or any other original works pertaining to *in situ* rehabilitation or existing slum dwellers under the Housing for All (Urban) Mission/ *Pradhan Mantri Awaas Yojana*, etc. He observed that services/labour component constituted 30% to 40% of the value of such Works Contract which was exempted from service tax (only if the contractor used his own labour and did not use the services of a manpower supplier). Tax incidence on such Works Contract service on account of VAT on material components came to around 12% or less. He, therefore, proposed that the Council could accept the recommendation of the Fitment Committee to reduce tax on Works Contract Services provided to the Government, local authority or governmental authority from 18% to 12%.

13.7. The Hon'ble Minister from Telangana stated that it was the duty of a democratically elected government to provide facilities of drinking water, irrigation, housing and roads. He stated that in his State, projects worth Rs.2,00,000 crore were underway under these heads. He stated that pre-GST, works contract was given taking into account existing exemptions like Central excise duty exemption on pipes and now a tax rate of 18% would lead to additional financial burden of about Rs.19,000 crore to his State. He observed that the State budget had already been presented and to tide over the present situation, his State had to take loan from financial institutions. He proposed that the rate of tax should be 5% for the following Works Contract services: (i) Any work given to an agency prior to 1 July, 2017 with a sunset clause of 2 years for such projects; (ii) Drinking water projects; (iii) Projects with low material and high labour component. He added that Projects with high material component could be taxed at the rate of 12%.

13.8. The Hon'ble Minister from Telangana added that he had taken note of the arguments given earlier regarding devolution of funds by the Centre to the States and higher availability of input tax credit to works contractors but after factoring these, additional financial burden on his State still came to about Rs. 15,000 crore. He stated that if his plea was not addressed, there might be large scale litigation. He also reminded that during this year, States were to make expenditure for 12 months but the revenue available was only for 11 months. Keeping all this in mind, he requested to keep the rate of tax at 5% for the three categories of Works Contract mentioned in paragraph 13.7. above.

13.9. The Secretary stated that prior to GST, service tax of 6% was levied on normal Works Contract and the rate for the Government Works Contract was nil. However, such Works Contract suffered VAT and Central Excise duty on construction material and no input tax credit was available for the same. In view of this, the proposed tax rate of 12% with full input tax credit eligibility on input materials was a reasonable proposal. He informed that as per the rough calculation done by the Fitment Committee, 12% tax rate could be recovered through the input tax credit available and keeping this in mind, it had proposed to bring the tax rate down from 18% to 12%. He stated that if the rate of tax was further reduced to 5%, then the





Works Contractors would be encouraged to use non-GST paid materials procured from grey market. The Hon'ble Minister from Telangana stated that 12% rate of tax still left an additional tax burden of Rs.15,000 crore. The Secretary pointed out that the gap could not be so high as in pre-GST period, there was 14.5% tax on cement and iron rods in all States. The Hon'ble Minister from Telangana reiterated that there was a need to apply the old rate of tax for contracts prior to 1 July, 2017. The Hon'ble Deputy Chief Minister of Bihar observed that the burden projected by Telangana appeared to be very high and their calculation needed be looked into again.

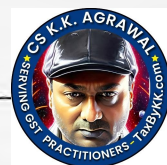
13.10. The Hon'ble Minister from West Bengal stated that the proposed tax rate of 12% on Works Contract services provided to the Government was acceptable except for those Works Contract services where the material component was low, like irrigation and water supply works for which the tax rate should be 5%. The Hon'ble Deputy Chief Minister of Gujarat suggested to apply the rate of tax on Works Contract services at the pre-GST level as otherwise it would lead to extra tax burden of about Rs.800 to Rs. 900 crore on the contractors. The Secretary stated that if the rate of tax was kept at 5% and refund of accumulated input tax credit was blocked, there was a likelihood that, on this pretext, the contractor would charge extra from the Government and at the same time, use the so-called blocked input tax credit for payment of tax in the supply of non-Government Works Contract services.

13.11. The Hon'ble Minister from Telangana stated that all Works Contract projects had come to a standstill. He also pointed out that for cement, the rate of tax in the pre-GST period was 2% CST. The Secretary stated that in the new tax regime, the understanding was that due to availability of input tax credit, cost of raw materials used in making the supply would get reduced and the same logic applied to the supply of Works Contract services to the Government. He suggested that the Governments should workout the revised tax liability based on the eligibility of input tax credit. The Hon'ble Chairperson observed that the rate of tax of 12% with full availability of input tax credit would make a significant difference compared to the earlier tax rate of 18%. The Hon'ble Minister from Telangana stated that the tax rate of 12% was acceptable for prospective Works Contract services but for the past projects, the rate of tax should be 5% with a sunset clause of two years for such projects. The Hon'ble Minister from Jharkhand expressed his strong support to the proposal of the Hon'ble Minister from Telangana and the Deputy Chief Minister of Gujarat. He observed that the payment of bills to the contractors had stopped due to the uncertainty and that the payment for Works Contract services was as per the Schedule of Rates at the rate of 10% and the contractor could not be expected to pay the additional tax from his pocket. He stated that for old contracts before 1 July, 2017, the old tax rates should be continued so that the Government did not suffer loss. He warned that increased rate of tax could affect projects like *Pradhan Mantri Awaas Yojana* and also those relating to affordable housing, toilet construction, etc.

13.12. The Hon'ble Minister from Haryana stated that in the earlier meeting of the Council, the subject of Works Contract services was discussed extensively and it was recognized that construction materials were evasion prone commodities, and therefore, Works Contract services should be brought under GST with full input tax credit. He stated that keeping in view the fact that the rate of tax on inputs used in rendering Works Contract services was at



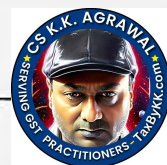




18%, the proposed tax rate of 12% for Works Contract services provided to the Government was reasonable. He supported the suggestion that a committee could be set up to examine the principles for rate fixation for Works Contract services for the Government. He informed that his State faced a similar situation where the contractors and the Government Departments did not know their tax liability and he had constituted a committee of three officers, one each from Taxation, General Administration and Finance Departments to examine and advise on the impact of GST on the ongoing projects and procurements. He advised against running two tax regimes in parallel as the difference in rate of tax for the two tax regimes, i.e., pre-GST and post-GST could give opportunity for tax evasion. He also stated that as GST was in the offing for last few years, the work order and tenders for the last few years should have provided for a suitable clause to factor in the new tax regime.

13.13. The Hon'ble Deputy Chief Minister of Gujarat stated that earlier the rate of service tax was 6% and now since the rate of tax on supply of services had become 18%, it clearly reflected an increased burden of 12%. Therefore, it would need to be considered as to who would bear this additional burden of tax, the Government or the contractor. There was no logic in setting up a committee to look into the principles for fixing the rate of tax on Works Contract services supplied to the Government as the increase in rate of tax was clearly visible. He added that it was difficult to factor in GST in the Works Contracts awarded during the last few years, as GST was under discussion for the last 10 years and no one was aware about the GST rates which became known only some days before the implementation of GST. He warned that there was a risk that the contractors might renege from their contracts and entering into new contracts would lead to higher expenditure due to higher tax rate and also delay in execution of projects leading to public inconvenience. He therefore suggested to find a solution regarding old contracts. The Hon'ble Minister from Chhattisgarh supported the proposed tax rate of 12% for Government contracts. He observed that earlier there was service tax of 6%, VAT of 2%-3% in some States under the composition scheme and rebate of input tax was not available whereas now they would get full input tax credit. He added that for irrigation projects, cement attracted tax at the rate of 28%, in water projects, pipe attracted tax. He stated that the present tax proposal would not cause additional financial burden as earlier too, they faced a tax burden of about 8% and now they would also get input tax credit of about 6% to 8%. The Hon'ble Deputy Chief Minister of Bihar observed that the calculations indicated that the tax burden would even out with the availability of input tax credit. The Hon'ble Minister from Assam also supported the proposed tax rate of 12% with full input tax credit for the Works Contract service supplied to the Government. The Hon'ble Minister from Rajasthan suggested to presently keep the tax rate on Works Contract services supplied to the Government sector at 12% but to review it subsequently with an open mind. For labour intensive work, he suggested a lower rate of tax of 5%. The Hon'ble Chairperson suggested that the rate of tax on supply of Works Contract services to the Government could presently be kept at 12%. The Hon'ble Minister from Telangana emphasised that their demand for a lower rate was only for projects prior to 1<sup>st</sup> July 2017. The Council approved there commendation of the Fitment Committee for the proposed reduction in the rate of tax for supply of Works Contract services generally provided to the Government which were earlier exempt from Service Tax under Sl. Nos. 12, 13 and 14 of notification number 25/2012-Service Tax dated 20.06.2012 (except the works contract service covered by entry (c) of Sl. No. 13 of the said notification) and which are mentioned at Sl. No. 13 of annexure I of Agenda Notes for agenda item 5, Volume-2, from 18% to 12% with full input tax credit.



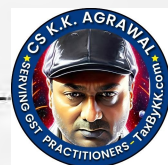


13.14. The Council also approved the other proposals listed in Annexure I of the Agenda Notes for Agenda Item 5 in Volume 2 including the revised GST rates on specified services, which *inter alia* includes: (i) the proposed rate of tax of 12% with full input tax credit in respect of printing of newspapers, books (including Braille books), journals and periodicals where only content was supplied by the publisher and physical inputs including paper used for printing belonged to the printer (S. No.6 of Annexure I of Agenda Notes for Agenda Item 5, Volume-2);(ii) the proposed rate of tax of 5% on services by way of printing of newspapers, books (including Braille books), journals and periodicals using physical inputs owned by others (S. No. 7 of Annexure I of Agenda Notes for Agenda Item 5, Volume-2); (iii) the proposed rate of tax of 12% with full input tax credit for Rent-a-Cab Service along with the existing tax rate of 5% with no input tax credit (S.No.9 of Annexure I of Agenda Notes for Agenda Item 5, Volume-2);(iv) the proposed rate of 12% with full input tax credit on forward charge basis as an additional option to Goods Travel Agency (GTA) services, with the condition that where a GTA service opted to pay tax under forward charge, it would have to pay GST in respect of all supplies under forward charge [which is in addition to the existing option to GTA services to pay tax at the rate of 5% with no input tax credit under the Reverse Charge Mechanism for those GTA services which did not opt for 12% rate with full input tax credit under forward charge (S.No. 12 of Annexure I of Agenda Notes for Agenda Item 5, Volume-2)]; (v) To put the liability of paying GST on the E-Commerce Operator in respect of small house keeping service providers like plumbers, carpenters, etc. who supplied their services through an E-Commerce Operator(S. No. 1 of Annexure I of Agenda Notes for Agenda Item 5, Volume-2);(vi) To exempt from tax any commission paid to the Fair Price Shops by the Central Government or the State Governments (S. No. 14 of Annexure I of Agenda Notes for Agenda Item 5, Volume-2); (vii) To exempt from tax, the services supplied by and to FIFA (Federation Internationale de Football Association) and its subsidiaries in connection with FIFA Under-17 Football World Cup to be hosted in India in 2017 subject to suitable conditions (S.No.15 of Annexure I of Agenda Notes for Agenda Item 5, Volume-2).

13.15. The Secretary informed that there was a proposal from the Department of Sports, Government of India, to also exempt goods imported for FIFA Under-17 Football World Cup from IGST and Cess in respect of goods listed at S.No.30 of Annexure I of Agenda Notes for Agenda Item 5 in Volume-1 which, *inter alia* included sports goods; sports requisites; fitness equipment; team uniform/clothing; spares, accessories and consumables; broadcast equipment; doping control equipment, satellite phones/GPS, paging communication systems and other communication equipment; video/plasma screen, electronic score board for display; time control devices, stop watches, timing, scoring and result management systems, marquees, tents and other IT equipment such as projectors, smart phones, routers, etc.; food stuffs, energy drinks, isotonic, tonic water carried by the players and the teams, etc. He further informed that the event would involve around 5 States. After deliberation, the Council approved the proposal to exempt IGST and Cess on goods imported for FIFA Under-17 Football World Cup to be hosted in India in 2017.

13.16. Due to paucity of time, the Council could not discuss Annexure II of the Agenda Notes for Agenda Item 5 in Volume-2 containing proposals for reduction in the GST rate on specified services which the Fitment Committee did not find acceptable. The Council agreed that Annexure II could be discussed in its next meeting.





14. In view of the above discussion, for Agenda Item 5 relating to the recommendation of the Fitment Committee on Goods and Services, the Council approved the following: -

**Goods**

(i) To exempt from payment of tax, concentrated milk or milk powder (HSN Code 0402) consumed by distinct persons as per Section 25(4) of the CGST/SGST Act for conversion into milk for distribution through dairy cooperatives;

(ii) To tax specified tractor parts, namely, (i) Agricultural diesel engine of capacity exceeding 250 cc for Tractor (8408 2020); (ii) Radiator assembly for tractors and parts thereof (8708 9100); (iii) Cooling system for tractor engine and parts thereof (8708 9100); (iv) Silencer assembly for tractors and parts thereof (8708 9200); (v) Transaxles and parts thereof for tractors (8708 5000); (vi) Gear boxes and parts thereof for tractors (8708 4000); (vii) Hydraulic and parts thereof for tractors (8708 9900); (viii) Brakes assembly and parts thereof for tractors (8708 3000); (ix) Clutch assembly and parts thereof for tractors (8708 9300); (x) Road wheels and parts and accessories thereof for tractors (8708 7000); (xi) Steering wheels and parts thereof for tractors (8708 9400); (xii) Bumpers and parts thereof for tractors (8708 1010); (xiii) Fender; Hood Wrapper; Grill, Side panel, Extension plates, Fuel tank and parts thereof for tractors (8708 9900); (xiv) Hydraulic pumps for tractors (8413 8190); (xv) Tyre for tractors (4011 7000); and (xvi) Tube for tractor tyres (4013 9049) at the rate of 18% instead of 28%;

(iii) to exempt IGST and Cess on goods imported for FIFA Under-17 Football World Cup to be hosted in India in 2017, which *inter alia* includes the following: sports goods; sports requisites; fitness equipment; team uniform/clothing; spares, accessories and consumables; broadcast equipment; doping control equipment, satellite phones/GPS, paging communication systems and other communication equipment; video/plasma screen, electronic score board for display; time control devices, stop watches, timing, scoring and result management systems, marquees, tents and other IT equipment such as projectors, smart phones, routers, etc.; food stuffs, energy drinks, isotonic, tonic water carried by the players and the teams, etc.;

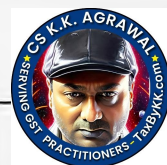
(iv) To discuss the proposals on goods listed in the detailed Agenda Notes under Agenda item 5 for the 20<sup>th</sup> Council Meeting (Volume -1) in the next meeting of the Council;

**Services**

(v) to reduce the rate of tax on job work services for the entire textile chain, i.e. textiles and textile products falling within Chapters 50 to 63 of the First Schedule to the Customs Tariff Act, to 5%;

(vi) to reduce the rate of tax on supply of Works Contract services generally provided to the Government which were earlier exempt from Service Tax under Sl. Nos. 12, 13 and 14 of notification number 25/2012-Service Tax dated 20.06.2012 (except the works contract service covered by entry (c) of Sl. No. 13 of the said notification) and as recommended by the Fitment Committee at Sl. No. 13 of Annexure I of Agenda Notes for agenda item 5, Volume-2, from 18% to 12% with full input tax credit;





(vii) to approve the other proposals listed in Annexure I of the Agenda Notes for Agenda Item 5 in Volume 2 including the revised GST rates on specified services, which *inter alia* includes: (a) tax rate of 12% with full input tax credit in respect of printing of newspapers, books (including Braille books), journals and periodicals where only content was supplied by the publisher and physical inputs including paper used for printing belonged to the printer; (b) tax rate of 5% on services by way of printing of newspapers, books (including Braille books), journals and periodicals using physical inputs owned by others; (c) tax rate of 12% with full input tax credit for Rent-a-Cab Service along with the existing tax rate of 5% with no input tax credit; (d) tax rate of 12% with full input tax credit on forward charge basis as an additional option to Goods Travel Agency (GTA) services, with the condition that where a GTA service opted to pay tax under forward charge, it would have to pay GST in respect of all supplies under forward charge [which is in addition to the existing option to GTA services to pay tax at the rate of 5% with no input tax credit under the Reverse Charge Mechanism and this option to apply for those GTA services which did not opt for 12% rate with full input tax credit under forward charge]; (e) An E-Commerce Operator shall be liable to pay tax in respect of small house keeping service providers like plumbers, carpenters, etc. who supplied their services through the E-Commerce Operator; (f) To exempt from tax any commission paid to the Fair Price Shops by the Central Government or the State Governments; (g) To exempt from tax, the services supplied by and to FIFA (Federation Internationale de Football Association) and its subsidiaries in connection with FIFA Under-17 Football World Cup to be hosted in India in 2017 subject to suitable conditions;

(viii) To discuss in the next meeting of the Council, Annexure II in Volume-2 of the Agenda Notes circulated for the 20<sup>th</sup> Council Meeting (relating to Agenda Item 5) containing proposals for reduction in the GST rate on specified services which the Fitment Committee did not find acceptable.

**Agenda Item 6: Proposals regarding changes to Central Sales Tax (CST) Rules:**

15. Introducing the agenda item, the Secretary informed that this agenda item proposed to amend Central Sales Tax (Registration and Turnover) Rules, 1957 by inserting the following Rule:

“2A. Manufacturer or processor of goods. - For the purposes of sub-section (3) of Section 8, manufacture or processing of goods includes manufacturer or processor of all materials, articles, commodities and all other kinds and movable property, other than newspapers, actionable claims, stocks, shares and securities.”

15.1. He informed that the purpose of this proposal was to ensure that the cost of production or manufacture of goods covered under GST did not increase sharply as these manufacturers would not be eligible for Form-C under the CST Act. This would imply that they would have to procure petroleum products after paying the prevalent VAT rate in the State of purchase (ranging between 15% to 30%) and not at the concessional rate of 2% under the CST Act even if they procured these inputs from another State. Further, since no input tax credit would be available on the taxes paid on petroleum products in the GST regime, the additional taxes paid as VAT would lead to an increase in the cost of manufacturing in the country. He mentioned that some States had imposed Entry Tax on petroleum products





imported by manufacturers from other States. These States were apprehensive that if such manufacturers were allowed to import petroleum products at concessional rate of 2% on C-Form, they would lose revenue. At the same time, there were a number of States where Entry Tax on petroleum products was less than 10% and thus the manufacturers in those States were presently getting petroleum products on C- Form from other States.

15.2. The Secretary informed that this agenda item was discussed in detail during the meeting of the officers of the Central Government and the State Government held in the morning. Shri Udai Singh Kumawat, Joint Secretary, Department of Revenue, had made a presentation on this subject in the morning (**Annexure 5** of the Minutes) where he had informed that if Form-C on petroleum products was not allowed to other manufacturers, the input cost of petroleum products, particularly natural gas, presently being imported by manufacturers at 2% on C-Form could go up to 15% to 20% VAT rate, which would make the cost of such inputs prohibitively expensive and the concerned industry unviable. He further informed that the Department of Fertilizers and the Department of Steel had informed the Department of Revenue that in the absence of the facility of C Form, the additional cost implication of natural gas being taxed at VAT rate for fertiliser companies would be around Rs. 1,000 crore and for steel companies would be around Rs. 535 crore.

15.3. The Secretary informed that in the morning meeting, the officers of the States had almost unanimously expressed reservation on the proposal in this agenda item as they feared that this would lead to large scale revenue loss to States. The States feared that all producers would buy petroleum products inter-State and not pay the local VAT and there was no entry tax to offset the revenue loss on this account. He stated that during the Officers' meeting, it came to light that in some States like Maharashtra and Delhi, manufacturers were allowed to take input tax credit up to a specific percentage on VAT paid on high speed diesel and petrol, when these products were used as inputs by manufacturers. Some States like Gujarat and Tamil Nadu provided input tax credit on use of natural gas by manufacturers up to a certain extent while States like Uttar Pradesh even had lower VAT rates on high speed diesel and natural gas being used as inputs by manufacturers. He stated that there was a broad consensus in the Officers meeting that the States shall cap the VAT rate on natural gas at 5% for manufacturers and keep the VAT rates of other petroleum products like diesel and petrol being used as inputs by manufacturers at a lower, reasonable rate so as not to adversely affect their viability. He suggested that the States could work out a scheme where all States should have a low rate of VAT (say 5%) on those petroleum products which were presently out of GST, when they were used as inputs for manufacture of any product. He proposed to defer this agenda item and requested that the States could evolve such a scheme. The Council agreed to this proposal.

15.4. The Secretary further informed that in the Officer's meeting in the morning, it was mentioned by some VAT Commissioners that on the issue of amendments to the Central Sales Tax Act, a group of CCTs had prepared a Report. The report had suggested giving option to State Governments to prohibit issue of C-Forms to purchasing dealers except in case of resale. He observed that this would not be required since as per amended CST Act, issuance of C-Form to manufacturers of GST goods was not possible. However, in case State Governments would like to raise any issue with respect to any other amendment to CST Act, the same could be discussed by the Officers' Committee and the Government of India.

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16. For **agenda item 6**, the Council agreed to defer consideration of the proposal regarding changes to the Central Sales Tax Rules and agreed that the States could work out a scheme where all States had a low rate of VAT (say 5%) on those petroleum products which were presently out of GST, when they were used as inputs for manufacture of any product.

**Agenda Item 7: Any other agenda item with the permission of the Chairperson:**

**Agenda Item 7(i): Amendments to CGST and SGST Rules:**

17. Introducing this agenda item, the Chairman, CBEC informed that during the meeting of the Officers held in the morning, the Commissioner (GST Policy Wing), CBEC, gave a presentation on the proposed amendments in the CGST and SGST Rules and the connected Forms (**Annexure 4** of the Minutes). She further informed that there was an agreement in the Officers meeting to carry out these amendments and suggested that the Council could approve these proposed amendments. The Council agreed to the proposed amendments.

18. For **agenda item 7(i)**, the Council approved the proposed amendments in the CGST and SGST Rules and the connected Forms as highlighted in the presentation at **Annexure 4** of the Minutes.

**Agenda Item 7(ii): Constitution of Standing Committee for Anti-profiteering:**

19. Introducing this agenda item, the Chairman, CBEC stated that the Council had to take a decision regarding the constitution of the Standing Committee on Anti-profiteering under Rule 123 of the CGST Rules, 2017 consisting of such officers of the State Governments and the Central Government, as may be nominated by the Council. The Secretary informed that this agenda item was discussed in the Officers meeting held in the morning wherein it was agreed that the Standing Committee should have two officers of the rank of Principal Commissioner/Commissioner from the Central Government and two officers of the rank of Commissioner from the State Governments who could be appointed by the Hon'ble Chairperson. It was also decided in the Officers meeting that as the Standing Committee would need to meet frequently, it would be logistically convenient to have an officer each from the State of Delhi and Haryana to represent the State Governments in the Standing Committee on Anti-profiteering. The Council agreed to this proposal.

19.1. The Hon'ble Minister from Kerala stated that the experience during the last one month was that there was a big reluctance on the part of the traders to pass on the reduction of tax to the consumers and they had used this opportunity to increase the price. He stated that the State Governments were not in a position to enforce the requirement of passing on reduction of tax to the consumer. He suggested that the Council should send a message to trade at large that once the present stock of goods was exhausted, the manufacturers should reduce the Maximum Retail Price (MRP) on the new stock. The Hon'ble Chairperson observed that this was a serious issue and informed that he had received a representation from an NGO with a group of disabled ladies in Chennai regarding increase in price of goods for the disabled, whereas with the availability of the input tax credit, the price should have gone down. He had asked the Chief Commissioner of Central GST in Chennai to investigate the issue and his report showed that due to availability of input tax credit, price of goods for the





disabled should have come down by about Rs. 30, but in reality, it had gone up by Rs. 30. He observed that the Council was being blamed unfairly for increase in prices.

19.2. The Hon'ble Minister from Kerala stated that his State was very sensitive to political criticism and they were facing the criticism of having forced the price up, and hardly anyone believed that on 90% of commodities, taxes had been reduced. He suggested that the Council should request the traders to reduce the MRP proportionate to the reduction in the rate of tax or the availability of input tax credit on the new stock, and the Council should warn that if this was not done, the Anti-profiteering mechanism would be brought into effect. The Hon'ble Chairperson observed that the mechanism consisting of State level Screening Committees, a Standing Committee at the Central level and an anti-profiteering authority could be set up now as the experience of last one month was that the prices had come down in some sectors, but not in many sectors and some of them could be taken up for examination through this mechanism. The Hon'ble Minister from Jammu & Kashmir stated that it would be too early to evaluate increase or decrease in price due to GST. He cautioned against moving towards a system of controls and suggested that GST should be allowed to operate for three months and then to evaluate as to how the system was unfolding. The Hon'ble Chief Minister of Puducherry stated that the people had expectation that prices of essential commodities would come down after the implementation of GST, but the prices had increased in sectors like hotel industry and consumer industry. He expressed the hope that this was only a transitional phase. The Hon'ble Deputy Chief Minister of Bihar stated that the Standing Committee on Anti-profiteering should be constituted at the earliest and a message should be sent to the public at large by making an example of four to five defaulters, preferably some big companies selling goods. The Secretary informed that the Central Government would be shortly giving the list of Central tax officers who would be the members of the State Level Screening Committees. Each State should then nominate one officer and thus the State Level Screening Committee would be constituted soon which could look into local level complaints. He added that the agenda was to create national level Standing Committee which would consist of four officers, two from the Central Government and two from the State Governments who would screen complaints relating to national level companies and after screening, those that deserved to be acted upon, would be referred to the Anti-profiteering authority.

19.3. The Hon'ble Minister from Punjab stated that implementing Anti-Profiteering measure could lead to turmoil in the field. He observed that prices were largely market driven and Anti-Profiteering investigation should be kept at the Central level and not to carry out such investigation at the State level. He also supported the idea of catching a few big fish indulging in profiteering. The Hon'ble Minister from Kerala observed that the Anti-Profiteering Authority was not envisaged to be a permanent price control mechanism. He expressed that while the forces of demand and supply would take care of the prices in due course, at this stage, the higher headline rate of taxes made it appear that taxes had gone up in the GST regime and this was attracting tremendous public criticism. The Hon'ble Minister from Punjab suggested to wait for three months before initiating Anti-profiteering action. The Hon'ble Minister from Jammu & Kashmir observed that all the Finance Ministers were facing criticism regarding price rise but it was better to handle this issue through empowered customers. He observed that Anti-profiteering measures could vitiate competitive market conditions. He suggested to wait for three months and in the meantime, do a better job of communicating to the public as to on which commodities, the taxes had come down, and to

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convey through advertisements, etc. that the prices should come down due to the lowering of GST rates.

19.4. The Hon'ble Minister from Kerala stated that in the GST regime, rates had been reduced significantly but no one believed so and the traders and manufacturers were reaping windfall gains. He added that it was important that at this stage, proportionate reduction in prices took place. He observed that Anti-profiteering was part of law and it should not be reduced to a dead letter and the market forces could be allowed to operate subsequently. The Hon'ble Deputy Chief Minister of Bihar stated that for about 150 to 200 items, wide publicity should be given regarding tax rates pre-GST and post-GST. He also suggested to give publicity regarding Anti-profiteering mechanism and to invite people to file their complaints before the Anti-profiteering bodies and seek information as to where the prices had gone up. The Hon'ble Chairperson observed that this mechanism should be used more as a deterrent by only taking up a few big cases. He cautioned that if complaints were invited as suggested by the Hon'ble Deputy Chief Minister of Bihar, there was a risk that the Anti-profiteering authorities would be inundated with complaints and there might not be adequate machinery to handle it.

19.5. The Hon'ble Minister from Telangana stated that Anti-profiteering authority should not be looked upon as a price control mechanism but rather as a transitional management mechanism. He stated that GST was the biggest tax reform in the country and the first few months were crucial both from the consumer and the government perspective. He observed that some tax payers could be charging higher tax due to profiteering motives, but some others might have genuine misunderstanding. He informed that in Telangana, campaigns had been carried out to clear doubts and that his State had organised more than 60 meetings sector-wise involving more than 30,000 participants where they had tried to clear their confusion but confusion still persisted. He suggested that instead of inviting complaints, it would be advisable to carry out more sensitization and publicity including on tax rate reduction on essential commodities. He observed that after three months, once prices got fixed, it would be more difficult to ask for price reduction. He added that along with an intense public relations and sensitisation programme, an example should also be made out of a few defaulters.

19.6. The Hon'ble Deputy Chief Minister of Bihar stated that tax rates of 28% and 18% with components of Central GST and State GST was not clearly understood by consumers as Central Excise was not a visible tax earlier and it was a part of the price. He suggested to publicise the fact that the tax hitherto charged as Central Excise had become visible as the Central component of GST. The Hon'ble Minister from West Bengal observed that at the ground level, people's perception was that they had not benefitted from GST yet, as the prices had not come down. People did not know about embedded taxes of Central Excise and VAT in the MRP. As regards the issue of a choice between a control mechanism and the inter-play of market forces to address the issue of price rise, he advised caution in taking a call immediately as implementation mechanism for a control system also needed to be understood. He pointed out that it took almost six months to impose anti-dumping action, and during this period, dumping would have caused harm to the domestic industry. He suggested to collect data from different States on some selected 100 items to see whether the prices had gone down. He also observed that the body to be created for Anti-profiteering should be at arm's length from the Government and should be able to act in an objective and independent





manner. He supported the suggestion that officers of the Central and the State Governments should together constitute such a body but expressed an apprehension that this body would have no data on prices. He suggested that the State Screening Committees should send information regarding prices and the Standing Committee should absorb and use this information and the Anti-Profiteering Authority could take action. He further suggested that only the outliers, i.e. those falling beyond the regression line of normal price, should be taken to task. The Hon'ble Chairperson stated that the process of creating a body consisting of Central and State Government officials would take time of about 3 to 4 months. The Hon'ble Minister from West Bengal observed that once the Anti- profiteering authority was formed, action should be taken to show seriousness regarding the law. He also suggested to review the working of the Anti-profiteering authority after six months to see whether it had been effective in doing something good for the people.

19.7. The Hon'ble Minister from Kerala stated that in their civil supplies outlets, prices of about 150 commodities had been reduced after taking into account the tax applicable prior to and after the implementation of GST. He informed that these outlets were initially adding GST to MRP but it had now been corrected and they were selling goods at the declared MRP. He observed that while price of the commodities like rice depended on the demand and supply situation, for industrial products, the price was fixed on cost-plus basis. He questioned the rationale of waiting for a few months for things to settle down and suggested that Anti-profiteering action could be initiated in some big cases for people to take note. He added that after a few months, there would be no ground to control prices as many other factors would have had an impact on prices whereas presently, other than tax, nothing else had changed. The Hon'ble Deputy Chief Minister of Delhi stated that they had collected the data of prices in June 2017 and were now collecting price data post-GST on the same products and this data could help the work of the Anti-profiteering body.

19.8. The Hon'ble Minister from Jammu & Kashmir cautioned that it was important to see what sort of a system was being built in relation to Anti-profiteering as once a monstrosity was created, it could be misused by the tax department. He added that one of the strengths of GST was that due to inbuilt transparency, it would bring corruption down and one needed to be cautious that measures like this did not bring back corruption. He emphasised that customer empowerment was more important but expressed that he was willing to go along with the proposal regarding the constitution of Standing Committee on Anti-profiteering. The Hon'ble Minister from Telangana stated that by way of consumer empowerment, they had developed an application in partnership with IIT, Hyderabad which calculates what should be the rate of tax on a good and what should be the reduction in the tax. He informed that about 342 commodities were under monitoring in his State and 88% had shown reduction in price but many business houses were not passing on the benefit of the input tax credit. He added that an appeal could be made from the Council to the traders to pass on the benefit of input tax credit. He also suggested to develop an IT application to enable the customers to check what was the change in the rate of tax pre-GST and post-GST to enable them to verify whether the benefit of rate reduction was being passed on to them. The Hon'ble Minister from West Bengal observed that sufficient effort had not gone into highlighting the items where taxes had been lowered and that this should be done immediately. He also cautioned against starting a witch hunt as many big suppliers had also reduced the prices. He stated that even after public awareness campaign, if profiteering continued, then some concrete action could

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be taken. He also clarified that the cost-plus mechanism of costing for industries worked only in oligopolistic situations. He favoured undertaking large scale awareness campaigns regarding reduction in prices and advised that the structure of Anti-profiteering could be worked upon further. He reminded that experience was not good with other similar bodies like the Competition Commission and the Monopolies and Restrictive Trade Practices Commission. The Hon'ble Minister from Goa stated that the Council was trying to have things fall in place too fast and expected things to be ideal. He observed that Kerala and Goa are tourism States and the perception was that the tax rate would be reduced post-GST. He stated that in restaurants, while the charges were kept at the same level as earlier, GST was being added on to it and that corrective action was needed in this regard. He stated that effort was being made to explain these issues to the stakeholders and to persuade the hoteliers to reduce the prices. The Hon'ble Chairperson observed that Five Star restaurants had become somewhat cheaper but mid-level restaurants had become slightly more expensive.

19.9. The Principal Secretary, Telangana, stated that where the rate of tax had reduced, there had been reduction in price but reduction in price was not visible where the input tax credit had been made available. He suggested that there should be a joint campaign by the State and the Central tax departments and it should be carried out State-wise. He also suggested to work with the Ministry of Consumer Affairs as they also issued certain circulars on the MRP. He observed that many in the tax department felt that the work of price monitoring and price control was not in the domain of the tax department and there was a need to dispel this perception. The Hon'ble Chief Minister of Puducherry and the Hon'ble Minister from Tamil Nadu supported the idea that an appeal should be made to the traders to reduce the price. The Hon'ble Minister from Haryana suggested that the Standing Committee could be constituted at this stage and the State Level Screening Committees could be operationalised at a later date. The Hon'ble Minister from West Bengal suggested that the mechanism being set up should be reviewed after six months for its effectiveness. Summing up, the Hon'ble Chairperson stated that the Council would make an appeal to reduce prices where the rate of tax had been reduced or input tax credit had been made available; and steps would be taken to constitute State Level Screening Committees and the Central Standing Committee and to start the process of setting up the Anti-profiteering Authority.

20. For **agenda item 7(ii)**, the Council approved the following: (i) The Council to make an appeal to reduce prices where rate of tax had been reduced or input tax credit had been made available; (ii) To constitute State Level Screening Committees; (iii) To constitute a Central Standing Committee on Anti-profiteering consisting of two officers of the rank of Principal Commissioner/Commissioner from the Central Government and two officers of the rank of Commissioner from the State Governments of Haryana and Delhi to be appointed by the Hon'ble Chairperson; (iv) to start the process of setting up the Anti-profiteering authority.

**Agenda Item 7(iii): Development of e-Way Bill system by NIC**

21. Introducing this Agenda item, the Secretary stated that this Agenda item was placed before the Council to enable the development of an e-Way Bill System by National Informatics Centre (NIC) through GSTN. He informed that this issue was discussed during the meeting of the Officers in the morning and it was concluded that the Council should not take decisions of a commercial nature and that it should be left to the GSTN Board to take





such decision. It only needed to be specified that GSTN shall be responsible for this work and that they would get it executed through NIC. He added that a resolution to this effect had been prepared in the Officers' meeting in the morning, and the same could be adopted by the Council. The Council adopted the resolution which reads as follows:

"GSTN has sought clarification as to which agency will be responsible for implementation of Electronic Way Bill System Module. The Council clarified that GSTN will be responsible for the same. States have been demanding immediate rollout of e-Way Bill System to safeguard their revenue. Hence in the interest of speedy implementation, GSTN may consider possibility of giving this work to a government agency like NIC which has executed similar work in the past."

22. For **agenda item 7(iii)**, the Council approved the resolution as at para 21 above.

**Agenda Item 7(iv): GST rate on Works Contract Services provided to the Government**

23. The Secretary stated that this Agenda Item had already been covered during discussion on S.No.13 of Annexure I of Agenda Notes to Agenda Item 5 in Volume-2 relating to recommendations of the Fitment Committee on Services dealing with the proposal to reduce GST rate on Works Contract services provided to the Government from 18% to 12%. He stated that the Council's decision taken on this subject [as recorded in paragraphs 14 (vi) of the Minutes] would hold good. The Council approved the proposal.

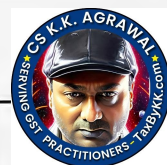
24. For **agenda item 7(iv)**, the Council approved that the decision taken in relation to the recommendations of the Fitment Committee for the rate of tax on Works Contract services generally provided to the Government (S.No.13 of Annexure I of Agenda Notes to Agenda Item 5 in Volume-2) shall apply [as recorded in paragraph 14 (vi) of the Minutes].

**Agenda Item 7(v): GST on Profit Petroleum and clarification on Cost Petroleum**

25. The Secretary invited Shri Amitabh Kumar, Joint Secretary (TRU-II) to explain this Agenda Item. Joint Secretary (TRU-II) explained that the Oilfields (Regulation & Development) Act (ORD Act) provided that the holder of a mining lease shall pay royalty in respect of any mineral oil mined/quarried or collected by him from the leased area at the specified rates. He stated that Production Sharing Contract (PSC) provided for payment of pre-determined share of Profit Petroleum to the Government as a condition for grant of mining lease. He explained that Profit Petroleum was the value of petroleum produced by the oil exploration company in a year minus the Cost Petroleum, i.e. total cost of exploration, development and production during the year. He explained that like royalty, profit share paid to the Government by oil exploration companies for acquiring the right to explore and exploit mineral oils was a payment for service and liable to GST on reverse charge basis and the proposal was to exempt this tax. He stated that in the overall scheme laid down by the Government for oil and natural gas exploration and production sector under New Exploration Licensing Policy (NELP), treating Government share of Profit Petroleum as a cost and levying GST on it appeared to be not proper and appeared to be a tax on profit and it was proposed to exempt it. On the subject of Cost Petroleum, he explained that the portion of the value of petroleum which the contractor was entitled to take in a year for recovery of contract

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cost was called "Cost Petroleum" and stated that Cost Petroleum was not a consideration for service to the Government and was not taxable *per se*. He said that it was proposed to issue a clarification to this effect for Cost Petroleum.

25.1. Shri V.K. Garg, Adviser to the Chief Minister, Punjab, stated that in respect of production sharing contract between the Government and contractor, another view could be that both have come together for a common objective and were partners for commercial purpose and thus became an Association of Persons (AOP) which was recognised as a separate legal entity. Services provided by one partner of AOP to another was not liable to be taxed and if an exemption was given, it would lead to reversal of input tax credit. He added that the Government gave right of extraction and one view was that profit petroleum and cost petroleum was a consideration for the same. However, an alternative view was that all petroleum belonged to the Government and, therefore, extraction of petroleum and making payment for it would not be liable to tax as it would be violative of Article 297 of the Constitution (which dealt with things of value within territorial waters or continental shelf and resources of the exclusive economic zone to vest in the Union). He added that it needed to be considered whether AOP was different from the operating member. He suggested that the issue should also be discussed with the Petroleum Ministry through the Petroleum Sectoral Group to decide whether profit petroleum should be exempted from GST. The Joint Secretary (TRU-II) stated that the operator and the AOP were two different persons under the erstwhile Finance Act 1994 (which governed Service Tax) and the GST Act. The Secretary suggested that this agenda item could be deferred and studied further. The Council agreed to the proposal.

26. For **agenda item 7(v)**, the Council agreed to defer its consideration till it was studied further.

**Agenda Item 7(vi): Payment Process for Tax Deducted at Source under GST**

27. Introducing this Agenda Item, the Secretary stated that this issue was discussed in the Officers meeting in the morning and a presentation was made by the Joint Secretary, Department of Revenue (attached as **Annexure 6** of the Minutes). He informed that during the Officers meeting, there was a suggestion by Commissioner (GST Policy Wing), CBEC that generation of challan for TDS for every payment made during a month could be a problem and that it would be advisable to give an option to make one monthly payment of TDS through one challan. The Secretary suggested that the payment process for TDS under GST could be approved by the Council along with the change proposed during the Officers meeting. The Council agreed to the same.

28. For **agenda item 7(vi)**, the Council approved the payment process of Tax Deduction at Source under GST as outlined in the presentation at **Annexure 6** of the Minutes with the modification that the DDO (Drawing and Disbursing Officer) may be given an option of bunching together the TDS deducted from bills on a weekly, monthly or any other periodic basis. However, in case TDS payments are bunched together, the actual expenditure from the relevant expenditure Head of Centre and States shall only be to the extent of payment to the agency/contractor. Drawal from expenditure Head for TDS payment shall be made only when the bunched TDS payment is being made.





**Agenda Item 7(vii): Amendment of the Procedure and Conduct of Business Regulation of the GST Council**

29. The Secretary informed that the present Procedure and Conduct of Business Regulations of the GST Council did not prevent the conduct of meetings through video conferencing but it would be desirable that a provision be incorporated in the Regulations to explicitly provide for conduct of the Council meetings through video conferencing. He informed that this issue was discussed in the Officers meeting in the morning and the proposal was approved with certain modifications viz., that where a proposal under discussion was required to be decided by voting, it should be deferred and taken up in the next physical meeting of the Council. In the Officers meeting, it was also agreed that this amendment to the Procedure and Conduct of Business Regulations of GST Council shall be deemed to have come into force with effect from 1<sup>st</sup> July 2017. The Secretary proposed that the Council may approve the amendment to the Procedure and Conduct of Business Regulations to be made effective from 1<sup>st</sup> July 2017. The Council approved the same.

29.1. The Secretary informed that the decision of the 19<sup>th</sup> meeting of the Council held by video conferencing was proposed to be ratified by signature of the Members who attended the meeting by video conferencing on a resolution deciding to recommend increase in the rate of compensation cess on cigarettes. The Hon'ble Members agreed to the same and those who had attended the 19<sup>th</sup> Meeting of the Council through video-conferencing signed the Resolution.

30. For **agenda item 7(vii)**, the Council approved the following amendment to the Procedure and Conduct of Business Regulations of the GST Council:

- (i) To renumber the present Regulation 5 as Regulation 5(1);
- (ii) To insert a new Regulation 5(2) as follows: 'The Chairperson may also convene a meeting of the Council through video conferencing:  
Provided that where a proposal under discussion is required to be decided by voting, it shall be deferred and taken up in the next physical meeting of the Council.'

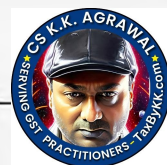
30.1. The Council also approved that this amendment to the Procedure and Conduct of Business Regulations of the GST Council shall be deemed to have come into force with effect from 1 July 2017.

**Agenda Item 7(viii): Review of the ceiling rate of the Compensation Cess on motor vehicles**

31. Introducing this Agenda Item, the Secretary explained that while fixing the ceiling rate for Compensation cess on motor vehicles, there was a calculation error on account of the fact that earlier the value, based on which the tax incidence was estimated, was inclusive of excise duty while it should have been value net of VAT as well as excise duty. On account of this, the price of luxury cars had come down. He stated that in order to address this anomaly, the present ceiling rate of 15% Compensation cess on motor cars under Schedule to Section 8 of the Goods and Services Tax (Compensation to a State) Act 2017 would need to be amended. He stated that as a principle, Council could agree that no tax should exceed the rate

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of 50% and keeping this in view, he proposed that the ceiling rate of Compensation cess on motor cars could be enhanced from 15% to 25%.

32. For **agenda item 7(viii)**, the Council agreed to increase the ceiling rate of Compensation cess on motor vehicles falling under Chapter heading 8702 and 8703 from 15% to 25%.

**Agenda Item 7(ix): Special provisions in GST in case of supplies to/from Nepal and Bhutan**

33. Introducing this Agenda Item, the Secretary stated that in case of supplies to/from Nepal and Bhutan (landlocked countries), certain provisions under the existing laws were proposed to be continued. The first was that GST should not be leviable on supply of services associated with transit cargo to Nepal and Bhutan in line with the provisions existing prior to GST. The Secretary suggested that the Council could, in principle, approve that GST would not be leviable on supply of such services and the Law Committee could work out the modalities to implement this decision.

33.1. The second proposal was to provide for receipt of payment in Indian rupees for export of services to Nepal and Bhutan. He stated that the proposal was to continue the earlier practice, namely, not to levy GST if services were supplied to Nepal and Bhutan for which payment was received in Indian rupees and to zero rate only such supplies where payment for export was received in convertible foreign exchange. He suggested that the Council could give in-principle approval for the same and the Law Committee would provide a suitable formulation to implement the decision. The Council approved the same.

34. For **agenda item 7 (ix)**, the Council approved the following:

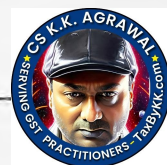
- (i) GST shall not be levied on supply of services associated with transit cargo to Nepal and Bhutan (landlocked countries);
- (ii) GST shall not be levied on services supplied to Nepal and Bhutan for which payment was received in Indian rupees;
- (iii) Exports to Nepal and Bhutan shall be zero rated only where payment for such exports was received in convertible foreign exchange;
- (iv) The Law Committee shall provide a suitable formulation to implement the above decisions.

**Item 7 (x): Modification in FORM REG-13 to remove mandatory requirement of PAN for Embassies/Consulates and other UN Organizations**

35. Introducing this Agenda Item, the Secretary stated that the Ministry of External Affairs has raised an issue that Embassies/Consulates/Diplomatic Missions and other UN organizations and their authorised representatives did not have a Permanent Account Number (PAN) and, therefore, they were facing a challenge to get a Unique Identification Number (UIN) under GST. He stated that this issue was discussed in the meeting of the Law Committee held on 11.07.2017 and the Committee recommended that the mandatory requirement of PAN for Embassies/Consulates/Diplomatic Missions and other UN Organizations or their authorised representatives may be removed and FORM REG-13 may







be amended accordingly. He also stated that the proposed revised FORM was placed as part of the Agenda Note for the approval of the Council. The Council approved the proposal.

36. For **agenda item 7(x)**, the Council approved the proposal to remove the mandatory requirement of PAN for giving Unique Identification Number under GST to Embassies/Consulates/Diplomatic Missions and other UN Organizations or their authorised representatives and to amend the FORM REG-13 accordingly.

**Item 7(xi): Taxation of rectified spirit/Extra Neutral Alcohol (ENA) under GST**

37. Introducing this Agenda Item, the Secretary stated that on the subject of levy of GST on Extra Neutral Alcohol (ENA)/Rectified Spirit supplied for manufacture of alcoholic liquor for human consumption, there was a difference of opinion regarding the Constitutional power of taxation on such goods. Shri Alok Shukla, Joint Secretary (TRU-I), CBEC, further explained that the State of West Bengal and some other States were of the view that in the case of Bihar Distillery Vs Union of India & Others, the Hon'ble Supreme Court clearly recognised the jurisdiction of the States with regard to ENA as ENA could be used by both potable and industrial sector equally. It also recognised that without the control of the State, the ENA/Rectified Spirit meant for industrial sector, if not de-natured, could easily be diverted illegally to the potable sector. On the other hand, the view of the Central Government was that the Bihar Distillery case of 1997 was of a Division Bench of the Supreme Court where the essential question of law to be decided was regarding regulation of industries engaged in manufacture of alcoholic liquors. As against this, there was a Seven Judge Constitution Bench of the Supreme Court in the case of Synthetics and Chemicals etc. vs. State of U.P. and Others wherein the Hon'ble Court had observed as under:-

“The expression ‘alcoholic liquor for human consumption’ was meant and still means that liquor which, as it is, is consumable in the sense capable of being taken by human beings as such as beverage of drinks. Hence, the expression under Entry 84 List I must be understood in this light.”

37.1. The Joint Secretary (TRU-I), CBEC, further explained that the Hon'ble Supreme Court had observed that ethyl alcohol (95%) is not alcoholic liquor for human consumption but can be used as raw material input after processing and substantial dilution in the production of whisky, Gin, Country Liquor, etc. From the ratio of this judgement, it follows that ENA was not outside the ambit of GST and therefore GST could be levied on supply of ENA and not only on denatured ethyl alcohol. In fact, unless exempted, supply of ENA was liable to 9% CGST and 9%SGST under the residual Entry No.453 of the Schedule III of GST notification No.1/2017 dated 28.06.2017 of CGST and SGST respectively. He pointed out that demand of ENA for potable purposes was more than 1000 million litres valued at about Rs. 6,000 crore (at the rate of about Rs. 60 per litre) and at 18% GST rate, it involved a revenue of about Rs.1,100 crore.

37.2. The Secretary suggested that the Council could consider recommending to presently exempt GST on supply of ENA for manufacture of alcoholic liquor for human consumption and to seek legal opinion regarding the taxation jurisdiction of the Centre and the States on alcohol under the amended Constitution in view of the GST. The Hon'ble Minister from West

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Bengal wanted to know whether in pre-GST regime, Central Excise duty was levied on ENA. He stated that ENA was used for Homeopathy, industry and production of potable alcohol. He stated that as potable alcohol was outside GST, ENA that was used for making potable alcohol was also outside GST and, therefore, outside the purview of the Council. He stated that only industrial alcohol for use in chemicals and in Homeopathy was under GST. He urged that what was not in GST today, i.e. potable ENA should not be recommended to be exempted from tax by the Council. He suggested that potable ENA should be kept out of any discussion in the Council.

37.3. The Joint Secretary (TRU-I), CBEC, stated that in pre-GST regime, there was no Central Excise duty on ENA and that there was Central Excise duty only on denatured ethyl alcohol. He pointed out that what was outside the GST was alcoholic liquor for human consumption and the issue to be decided was whether ENA supplied for use in the manufacture of potable alcohol was potable alcohol and thus could be considered to be outside GST. He referred to the judgements of the Hon'ble Supreme Court as mentioned above and expressed that two Judge Bench judgement of the Hon'ble Supreme Court could not possibly overrule a seven Judge Bench decision on the same issue wherein it was held that ethyl alcohol of 95% purity could not be consumed as such and therefore could not be termed as alcoholic liquor for human consumption. He also pointed out that if the Council took a view that it could not exempt ENA from GST, then a situation could arise where one manufacturer might like to pay the tax whereas another one might not. Therefore, there was a need to arrive at finality and it would be a reasonable presumption that ENA was under GST and the Council could recommend to exempt it from tax.

37.4. The Hon'ble Minister from West Bengal stated that the origin of potable alcohol was ENA and therefore ENA supplied for manufacture of potable alcohol could be kept out of GST as per the decision of the two Judge Bench of the Hon'ble Supreme Court. The Secretary stated that in order to ensure that no one misused the ratio of the two different judgements of the Hon'ble Supreme Court, it would be desirable to exempt ENA from GST and to take a legal opinion regarding the judgement of the seven Judge Bench to ascertain whether ENA could be regarded as potable alcohol and the legal opinion once received, would be followed.

37.5. The Hon'ble Minister from Karnataka stated that this issue existed even in the pre-GST period and it was tackled by officers of States and Central Excise though there was a scope for evasion even then. He observed that there was very little possibility of leakage of tax on liquor for human consumption as State excise had full control over it and there would be a mechanism in the GST regime to address issues relating to evasion. He also raised the question whether one product, and in particular this one, could exist under both the Union and the State List. The Hon'ble Chief Minister of Puducherry suggested that States could presently administer ENA and the issue could be re-visited after obtaining the legal opinion. The Hon'ble Chairperson stated that an opinion would be taken from the Learned Attorney General of India and till then it would be desirable to agree that as far as ENA supplied for making potable alcoholis concerned, the status quo would continue. He observed that the issue was complicated because of the differing judgements on the same issue. The Council agreed to the same. The Hon'ble Minister from Karnataka suggested that the Members of the Council should also get an opportunity to interact with the learned Attorney General of India





on the subject of Extra Neutral Alcohol and to convey their views to him. The Council agreed to this suggestion.

38. For **Agenda Item 7(xi)**, the Council agreed that till an opinion is obtained from the Learned Attorney General of India on the subject, the status quo shall continue, i.e. Extra Neutral Alcohol supplied for industrial purpose shall attract GST at the rate of 18%. Those State officers desirous of joining the briefing to the Learned Attorney General of India on this issue, could do soon the date to be informed by the Joint Secretary (TRU-I), CBEC.

**Agenda Item 7(xii): Exemption from IGST on temporary import of goods**

39. Introducing this Agenda Item, the Secretary stated that the proposal placed before the Council was that for temporary import of goods, there was a liability to pay customs duty on goods imported and also a liability to pay IGST on lease. He stated that the proposal was not to have double levy and to exempt IGST leviable under Section 3(7) of the Customs Tariff Act on temporary import of machinery, equipment or tools falling under any chapter of First Schedule of the Customs Tariff Act subject to the following conditions:

- (i) The import of such machinery, equipment or tools is covered under item (b) of clause 1 and item (f) of clause 5 of Schedule II of CGST Act, 2017; and
- (ii) IGST is paid at the appropriate rate on such supply of machinery, equipment or tools as import of service.

He recommended that the Council may approve the same. The Council agreed to the same.

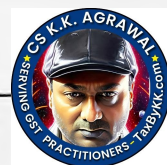
40. For **Agenda Item 7(xii)**, the Council agreed to exempt IGST leviable under Section 3(7) of the Customs Tariff Act on temporary import of machinery, equipment or tools falling under any chapter of First Schedule of the Customs Tariff Act subject to the following conditions:

- (i) The import of such machinery, equipment or tools is covered under item (b) of clause 1 and item (f) of clause 5 of Schedule II of CGST Act, 2017; and
- (ii) IGST is paid at the appropriate rate on such supply of machinery, equipment or tools as import of service.

**Other Issues:**

41. The Hon'ble Minister from Tamil Nadu circulated a written speech during the Council Meeting which was taken on record. He stated that he was happy to note that the Fitment Committee had recommended to exempt/lower the rate of tax for 30 commodities. He observed that in spite of specific request made by the State of Tamil Nadu, the Fitment Committee had not considered many genuine demands which he reiterated strongly. He stated that *Idli/Dosa* batter was not a ready-to-eat food mix but only a mix of wet form of cereal and leguminous flour and therefore it should be exempted from tax. He added that roasted gram which was a main ingredient of *chutney*, another staple food item, was taxed at the rate of 5% and he recommended to exempt it as it could not be equated with *namkeen*, *bhujia* and mixture. He added that the process involved in making roasted grams was only roasting and no additives or preservatives were added and a similar process was followed in





preparation of *muri* (puffed rice) which was exempted from tax. He also proposed to reduce the rate of tax on Phosphoric Acid to 5% as it was a main raw material for manufacture of fertilizers which was taxed at the rate of 5%. He also proposed to reduce/exempt tax on the following goods: (i) Food and drinks; (ii) Rice Bran; (iii) Packaged Drinking Water; (iv) Fishnet and Fishnet Twine; (v) Biscuits; (vi) Wet Grinders; (vii) Weighing Machines; (viii) Compressors; (ix) Furniture; (x) Dried Fish; (xi) Sago; (xii) Common Effluent Treatment Plants; (xiii) Re-cycled plastic; (xiv) Job work relating to leather industry; (xv) Goods used by differently abled persons; (xvi) Motor Cycles (Cess to be levied only for bikes with capacity of more than 500cc); (xvii) Textile Machinery parts; (xviii) Chewing Tobacco; (xix) Bleach liquid; (xx) Pickles; (xxi) Matches; (xxii) Unbranded Sugar boiled confectionery; (xxiii) *Kadalai Mittai* (groundnut sweet); (xxiv) Wires and Cables; (xxv) Pump Sets; (xxvi) Sea Shell and Handicrafts of Seashell; (xxvii) Glass for corrective spectacles; (xxviii) Frames and mounting for Spectacles; (xxix) Tractor attachments; (xxx) Auto parts; (xxxi) Tyre Retreading; (xxxii) Concrete Blocks; (xxxiii) Fly Ash; (xxxiv) Educational Institutions; (xxxv) Amusement Parks; (xxxvi) Weaning Foods through Integrated Child Development Services; (xxxvii) Service tax on insurance; (xxxviii) Packing Machines; (xxxix) Job work service relating to garment, made ups; (xl) Fireworks; (xli) Sanitary Napkins; (xlii) *Korai pai* (Grass mat); (xliii) Silver anklet, silver toe ring and silver waist cord; (xliv) *Mangalsutra* and similar items of wedlock; (xlv) Granite and marble; (xlvi) Silk fabrics; (xlvii) Silk yarn and (xlviii) *zari* made of gold or silver.

41.1. The Hon'ble Minister from Uttarakhand stated that he had repeatedly raised the issue of exempting tax on *kulia*, which was exempted under VAT owing to the fact that it was consumed by the weaker sections of the society. He added that it was generally consumed as a replacement of *khandsari*/sugar. He pointed out that cane jaggery (*gur*), *misri*, *batasha* and *boora* were kept under nil rate under GST. He further added that *kulia* was prepared by *chura* of *batasha* and lower grade sugar/ *khandsari*, and hence, it should also be kept at nil rate under GST. He observed that this product did not find mention in the list of goods considered by the Fitment Committee though his State had sent a written suggestion in this regard. He requested that the same should be considered by the Fitment Committee.

41.2. The Hon'ble Minister from West Bengal noted that India's Manufacturing PMI had shrunk to the lowest in the last 9 years and the services had also shrunk to the lowest in the last 4 years and some newspaper reports attributed this partly to the introduction of GST. He suggested that a watch should be kept on this economic trend and some study could also be done.

41.3. The Hon'ble Minister from Goa stated that there was no clarity on charging tax on declared tariff and that tax rate may be fixed on transaction value on the best available rate of the day. The Hon'ble Chairperson observed that this issue was discussed in the Fitment Committee with the State officials but no agreement could be reached. The Hon'ble Minister from Goa stated that a declared tariff was needed and this position existed in the service tax. The Hon'ble Chairperson stated that as such a provision existed earlier in the Service Tax and VAT, it could be continued in the GST regime.

41.4. The Hon'ble Minister from Odisha stated that tax on *sal* and *siali* leaves and cups and plates made thereof and *sabai* grass and *sabai* rope should be exempt as taxing these goods





would affect the livelihood of the tribals of Mayurbhanj district and suggested that the Fitment Committee should examine these items. He further stated that the Finance Department of the State of Odisha had written a letter to the GST Council requesting to consider exemption of handicraft goods. He requested that the Fitment Committee should examine to exempt handicraft goods as poor artisans are engaged in making handicraft articles.

41.5. The Hon'ble Minister from Karnataka suggested that the Council Meetings should commence earlier in the day rather than in the afternoon so that more time was available for the Council to discuss the agenda items. The Hon'ble Chairperson responded that this suggestion would be kept in mind.

41.6. The Hon'ble Minister from Punjab suggested that other States should also be allowed to be a member of the Fitment Committee. The Hon'ble Chairperson stated that an invitation would be sent to the State of Punjab to attend the meetings of the Fitment Committee.

**Agenda Item 8: Date of the next meeting of the GST Council**

42. The Hon'ble Minister from Telangana offered to host the next meeting of the Council in Hyderabad. The Council agreed to this proposal. The Hon'ble Chairperson stated that the next meeting of the Council would be held in Hyderabad on 9<sup>th</sup> September, 2017.

43. The Meeting ended with a vote of thanks to the Chair.

(Arun Jaitley)  
Chairperson, GST Council

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**Annexure 1****List of Ministers who attended the 20<sup>th</sup> GST Council Meeting on 05 August 2017**

S No	State/Centre	Name of the Minister	Charge
1	Govt. of India	Shri Arun Jaitley	Finance Minister
2	Govt. of India	Shri Santosh Kumar Gangwar	Minister of State (Finance)
3	Puducherry	Shri V. Narayanasamy	Chief Minister
4	Bihar	Shri Sushil Kumar Modi	Deputy Chief Minister
5	Delhi	Shri Manish Sisodia	Deputy Chief Minister
6	Gujarat	Shri Nitinbhai Patel	Deputy Chief Minister
7	Andhra Pradesh	Shri Yanamala Ramakrishnudu	Minister - Finance, Planning, Commercial Taxes & Legislative Affairs
8	Assam	Shri Himanta Biswa Sarma	Finance Minister
9	Chhattisgarh	Shri Amar Agrawal	Minister, Commercial Taxes
10	Goa	Shri Mauvin Godinho	Minister - Panchayat
11	Haryana	Captain Abhimanyu	Minister - Excise & Taxation
12	Jammu & Kashmir	Dr. Haseeb Drabu	Finance Minister
13	Jharkhand	Shri C.P. Singh	Minister - Urban Development, Housing & Transport
14	Karnataka	Shri Krishna Byregowda	Minister - Agriculture
15	Kerala	Dr. Thomas Isaac	Finance Minister
16	Maharashtra	Shri Sudhir Mungantiwar	Finance Minister
17	Odisha	Shri Shashi Bhusan Behera	Finance Minister
18	Punjab	Shri Manpreet Singh Badal	Finance Minister
19	Rajasthan	Shri Rajpal Singh Shekhawat	Minister, Industries
20	Tamil Nadu	Shri D. Jayakumar	Minister - Fisheries, Finance, Personnel & Admin. Reforms
21	Telangana	Shri K T Rama Rao	Minister - Industries, Municipal administration, mines & IT
22	Uttar Pradesh	Shri Rajesh Agrawal	Finance Minister
23	Uttarakhand	Shri Prakash Pant	Finance Minister
24	West Bengal	Dr. Amit Mitra	Finance Minister



**Annexure 2****List of Officials who attended the 20<sup>th</sup> GST Council Meeting on 05 August 2017**

<b><u>S No</u></b>	<b><u>State/Centre</u></b>	<b><u>Name of the Officer</u></b>	<b><u>Designation</u></b>
1	Govt. of India	Dr. Has Mukh Adhia	Revenue Secretary
2	Govt. of India	Ms. Vanaja N. Sarna	Chairman, CBEC
3	Govt. of India	Shri Mahender Singh	Member (GST), CBEC
4	Govt. of India	Shri R.K. Mahajan	Member (Budget), CBEC
5	Govt. of India	Shri J P Chawla	Principal Chief Controller of Accounts, CBEC
6	Govt. of India	Shri P.K. Mohanty	Advisor (GST), CBEC
7	Govt. of India	Shri Alok Shukla	Joint Secretary (TRU), Dept. of Revenue
8	Govt. of India	Shri Upender Gupta	Commissioner (GST), CBEC
9	Govt. of India	Shri Udai Singh Kumawat	Joint Secretary, Dept. of Revenue
10	Govt. of India	Shri Amitabh Kumar	Joint Secretary (TRU), Dept. of Revenue
11	Govt. of India	Shri Manish Kumar Sinha	Commissioner, CBEC
12	Govt. of India	Shri G.D. Lohani	Commissioner, CBEC
13	Govt. of India	Shri Vishal Pratap Singh	Joint Commissioner, GST Policy wing
14	Govt. of India	Shri D.S. Malik	ADG, Press, Ministry of Finance
15	Govt. of India	Ms. Sheyphali B. Sharan	ADG, Press, Ministry of Finance
16	Govt. of India	Shri Hemant Jain	OSD to MoS (Finance)
17	Govt. of India	Shri S.K. Rai	Director (UT), Ministry of Home Affairs
18	Govt. of India	Shri G.G. Pai	Director, TRU
19	Govt. of India	Shri Reyaz Ahmed	Director, TRU
20	Govt. of India	Ms. Aarti Saxena	Deputy Secretary, Dept. of Revenue
21	Govt. of India	Shri Pramod Kumar	OSD, TRU
22	Govt. of India	Shri Paras Sankhla	OSD to FM
23	Govt. of India	Shri Ravneet Singh Khurana	Joint Commissioner, CBEC Policy Wing
24	Govt. of India	Shri Arjun Raghavendra M	OSD to Revenue Secretary
25	Govt. of India	Shri Siddharth Jain	Assistant Commissioner, GST Policy



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<u>S No</u>	<u>State/Centre</u>	<u>Name of the Officer</u>	<u>Designation</u>
26	GST Council	Shri Shashank Priya	Joint Secretary
27	GST Council	Shri Dheeraj Rastogi	Joint Secretary
28	GST Council	Shri Rajesh Kumar Agarwal	Additional Commissioner
29	GST Council	Shri G.S. Sinha	Joint Commissioner
30	GST Council	Shri Jagmohan	Joint Commissioner
31	GST Council	Ms. ThariSitkil	Deputy Commissioner
32	GST Council	Shri Rakesh Agarwal	Assistant Commissioner
33	GST Council	Shri Kaushik TG	Assistant Commissioner
34	GST Council	Shri Mahesh Kumar S	Assistant Commissioner
35	GST Council	Shri Mukesh Gaur	Superintendent
36	GST Council	Shri Sandeep Bhutani	Superintendent
37	GST Council	Shri Manoj Kumar	Superintendent
38	GST Council	Shri ShekharKhansili	Superintendent
39	GST Council	Shri Amit Soni	Inspector
40	GST Council	Shri Anis Alam	Inspector
41	GST Council	Shri Sharad Verma	Stenographer Gr. I
42	GSTN	Shri Navin Kumar	Chairman
43	GSTN	Shri Prakash Kumar	CEO
44	GSTN	Ms. Kajal Singh	EVP(Services)
45	GSTN	Shri Jagmal Singh	Vice President
46	Andhra Pradesh	Shri J.Syamala Rao	Commissioner (Commercial Taxes)
47	Andhra Pradesh	Shri T.Ramesh Babu	Additional Commissioner (CT)
48	Andhra Pradesh	Shri D.Venkateswara Rao	OSD to Special Chief Secretary
49	Arunachal Pradesh	Shri Tapas Dutta	Asst. Commissioner
50	Assam	Dr. Ravi Kota	Principal Secretary (Finance)
51	Assam	Shri Anurag Goel	Commissioner, Commercial Taxes
52	Bihar	Ms. Sujata Chaturvedi	Principal Secretary & Commissioner, Commercial Taxes

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S No	State/Centre	Name of the Officer	Designation
53	Bihar	Shri Arun Mishra	Additional Secretary, Commercial Taxes
54	Bihar	Shri Ajitabh Mishra	Assistant Commissioner
55	Chandigarh	Shri Ajit Joshi	ETC Chandigarh
56	Chandigarh	Shri Sanjeev Madan	ETC Chandigarh
57	Chhattisgarh	Shri Amitabh Jain	Principal Secretary (Finance)
58	Chhattisgarh	Ms. Sangeetha P	Commissioner, Commercial Taxes
59	Delhi	Shri H. Rajesh Prasad	Commissioner, VAT
60	Delhi	Shri Anand Kumar Tiwari	Additional Commissioner
61	Goa	Shri Dipak Bandekar	Commissioner, Commercial Taxes
62	Gujarat	Dr. P.D. Vaghela	Commissioner, Commercial Taxes
63	Gujarat	Shri Sanjeev Kumar	Secretary (Economic Affairs)
64	Gujarat	Ms. Aarti Kanwar	Special Commissioner of State Taxes
65	Haryana	Shri Sanjeev Kaushal	Additional Chief Secretary (Finance)
66	Haryana	Ms. Ashima Brar	Excise & Taxation Commissioner
67	Haryana	Shri Vidya Sagar	Additional Excise & Taxation Commissioner
68	Haryana	Shri Rajeev Chaudhary	Deputy Excise & Taxation Commissioner
69	Himachal Pradesh	Shri Tarun Kapoor	Additional Chief Secretary (Excise & Taxation)
70	Himachal Pradesh	Shri Rakesh Sharma	Dy. Excise and Taxation Commissioner (LTPU)
71	Jammu & Kashmir	Shri Naveen K. Choudhary	Principal Secretary
72	Jammu & Kashmir	Shri P. K. Bhat	Additional Commissioner
73	Jammu & Kashmir	Ms. Anoo Malhotra	Additional Commissioner
74	Jharkhand	Shri. K.K. Khandelwal	Principal Secretary
75	Jharkhand	Shri Sanjay Kumar Prasad	Joint Commissioner
76	Karnataka	Shri Ritvik Pandey	Commissioner, Commercial Taxes
77	Karnataka	Shri M. S.Srikar	OSD, Commercial Taxes



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S No	State/Centre	Name of the Officer	Designation
78	Kerala	Dr.RajanKhobragade	Commissioner, Commercial Taxes
79	Kerala	Shri Anoop. M.	ALO, Kerala House
80	Madhya Pradesh	Shri Raghwendra Kumar Singh	Commissioner, Commercial Taxes
81	Madhya Pradesh	Shri Sudip Gupta	Deputy Commissioner
82	Maharashtra	Shri Rajiv Jalota	Commissioner, Commercial Taxes
83	Maharashtra	Shri Sudhir Rathod	OSD to Finance Minister
84	Manipur	Shri R.K. Khurkishor Singh	Assistant Commissioner
85	Meghalaya	Shri. L. Khongsit	Deputy Commissioner
86	Mizoram	Shri Vanlalchhuanga	Secretary
87	Mizoram	Shri R. Zosiamliana	Deputy Commissioner
88	Nagaland	Shri WochamoOduyo	Addl. Commissioner of Taxes
89	Odisha	Shri Ashok KK Meena	Special Secretary
90	Odisha	Shri Saswat Mishra	Commissioner, Commercial Taxes
91	Odisha	Shri SahadevSahu	Joint Commissioner
92	Puducherry	Shri G. Srinivas	Commissioner, Commercial Taxes
93	Punjab	Shri V.K. Garg	Advisor to CM
94	Punjab	Shri Anurag Agarwal	Financial Commissioner
95	Punjab	Shri Vivek Pratap Singh	Excise & Taxation Commissioner
96	Punjab	Shri Rajiv Gupta	Advisor (GST)
97	Punjab	Shri. Pawan Garg	Deputy Excise & Taxation Commissioner
98	Rajasthan	Shri Praveen Gupta	Secretary, Finance
99	Rajasthan	Shri Alok Gupta	Commissioner, Commercial Taxes
100	Rajasthan	Shri Ketan Sharma	Joint Commissioner, Commercial Taxes
101	Sikkim	Shri Manoj Rai	Joint Commissioner, Commercial Taxes
102	Tamil Nadu	Dr. C. Chandramouli	Additional Chief Secretary
103	Tamil Nadu	Shri K. Gnanasekaran	Additional Commissioner, Commercial Taxes

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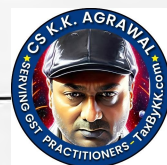


# MINUTE BOOK



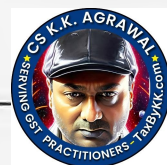
<u>S No</u>	<u>State/Centre</u>	<u>Name of the Officer</u>	<u>Designation</u>
104	Telangana	Shri Somesh Kumar	Principal Secretary
105	Telangana	Shri Anil Kumar	Commissioner, Commercial Taxes
106	Telangana	Shri LaxminarayanJannu	Joint Commissioner
107	Tripura	Shri Ashin Barman	Nodal Officer (GST)
108	Uttarakhand	Shri Shridhar BabuAddanki	Commissioner, Commercial Taxes
109	Uttarakhand	Shri Piyush Kumar	Additional Commissioner, Commercial Taxes
110	Uttar Pradesh	Shri R.K. Tiwari	Additional Chief Secretary (Finance)
111	Uttar Pradesh	Shri Mukesh Kumar Meshram	Commissioner, Commercial Taxes
112	Uttar Pradesh	Shri Vivek Kumar	Additional Commissioner
113	Uttar Pradesh	Shri Niraj Kumar Maurya	Assistant Commissioner
114	Uttar Pradesh	Shri Jitendra Pratap Singh	Assistant Commissioner
115	West Bengal	Shri H K Dwivedi	Principal Secretary (Finance)
116	West Bengal	Ms. SmarakiMahapatra	Commissioner, Commercial Taxes
117	West Bengal	Shri Khalid A. Anwar	Senior Joint Commissioner



**Annexure 3****List of decisions of the GST Implementation Committee (GIC) approved by the Council  
post facto:**

- (1) Exemption of levy of IGST on import of aircraft, aircraft engines and other parts brought into India on lease and the decisions implemented under Notification No.65/2017-Customs dated 8 July, 2017 issued by the Department of Revenue, Union Ministry of Finance.
- (2) Amendment to the CGST Act and the IGST Act so as to extend territorial jurisdiction of the said Acts to the State of Jammu and Kashmir [decision implemented by promulgation of the CGST (Extension to Jammu & Kashmir) Ordinance, 2017 and the IGST (Extension to Jammu and Kashmir) Ordinance, 2017 by the Hon'ble President of India on 8<sup>th</sup> July, 2017].
- (3) Exemption from Compensation Cess under Section 9(4) of the Central Goods and Services Tax Act, 2017 for dealers availing the Margin Scheme. The decision was implemented by issue of Notification No. 04/2017-Compensation Cess (Rate) dated 20 July 2017 issued by Department of Revenue, Union Ministry of Finance.
- (4) Amendment to the CGST Act to provide that the goods moving across the Line of Control (LOC) from Jammu & Kashmir to be declared as deemed export under Section 147 of the CGST Act and to provide that the goods coming from across the LOC shall be charged to CGST and SGST on reverse charge basis under Section 9(3) of the CGST Act. It was noted that notifications for implementing this decision had not yet been issued as concurrence of the other relevant Ministries of the Central Government was awaited.
- (5) Issuance of clarification that as per the provisions of Section 11(2) of the GST Compensation Cess Act, the provisions of Section 16 of the IGST Act, 2017 shall also apply for the purposes of Compensation Cess. The decision was implemented by issuing Circular No.1/1/2017-Compensation Cess dated 26 July, 2017 by the Department of Revenue, Union Ministry of Finance.
- (6) Issuance of the following Circulars and Notification: -
  - (i) Circular No.2/2/2017-GST dated 4 July, 2017 clarifying that RFD-11 can be submitted manually to the jurisdictional Assistant/Deputy Commissioner, until the online facility for its submission is enabled.
  - (ii) Notification No.16/2016-Central Tax dated 7 July, 2017 notifying the class of exporters eligible to file LUT in place of the bond.
  - (iii) Circular No.4/4/2017-GST dated 7 July, 2017 clarifying the procedure for furnishing the bond, and the amount of bank guarantee to be given.
- (7) Proposal to make certain changes in CGST and SGST Rules, as listed below:-
  - (i) Extension of date for availing composition - It was decided that an amendment in the rules was not required and that this shall be done by an Order drafted by CBEC which would then be circulated to the States to follow suit.
  - (ii) Extending the date for cancellation of registration - In rule 24(4), the words "thirty days" shall be substituted by 30th September, 2017 and the amendment shall be made effective from 1st July/22nd June (for the purpose of deciding whether it should be





22nd June 2017 or 1st July 2017, view of the Union Law Ministry shall be taken). On the issue of cancellation of PID (Provisional ID), it was decided that till 30th September, no deemed cancellation should be done and in the meanwhile, efforts should be made to contact the taxpayers who have not migrated.

(iii) Exchange rate for invoicing of the export of goods – It was decided that Rule 34 be amended to provide that in case of export of goods, for the purposes of ascertaining value for payment of refund under rule 96 or 96A, the exchange rate for conversion of foreign currency into Indian currency and *vice-versa* shall be the rate notified by the Board under section 14 of the Customs Act, 1962. As far as services are concerned, the applicable rate of exchange will be as per the generally accepted accounting principles at the time of supply.

(iv) Amendment of FORM TRAN-1 - It was proposed to amend the table at Sl. No. 7 in FORM TRAN-1 notifying different categories of suppliers who are required to mention nil, 2 and 4 digits of HSN.

(v) In the second proviso of Rule 83(3), the words “clause (b) of sub-section (1)” have to be replaced with “sub-rule (1)”

(vi) In clause (E) of Rule 89(4), the words “sub-section (112)” has to be replaced with “clause (112)”.

(vii) In the case of export of goods or services - It was decided that in the third proviso to rule 46, the expression “SUPPLY MEANT FOR EXPORT/SEZ ON PAYMENT OF INTEGRATED TAX” OR “SUPPLY MEANT FOR EXPORT/SEZ UNDER BOND OR LETTER OF UNDERTAKING WITHOUT PAYMENT OF INTEGRATED TAX” shall be substituted by the expression “SUPPLY MEANT FOR EXPORT ON PAYMENT OF INTEGRATED TAX”/ “SUPPLY TO SEZ UNIT OR SEZ DEVELOPER FOR AUTHORISED OPERATIONS ON PAYMENT OF INTEGRATED TAX” OR “SUPPLY MEANT FOR EXPORT/ SUPPLY TO SEZ UNIT OR SEZ DEVELOPER FOR AUTHORISED OPERATIONS UNDER BOND OR LETTER OF UNDERTAKING WITHOUT PAYMENT OF INTEGRATED TAX”. Rules shall be amended accordingly.

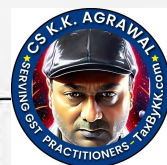
(viii) Submission of Form GSTR-3B and Form GSTR-3 - GIC approved the proposal and decided that Sub-rule (5) of rule 61 shall be substituted and a new sub-rule (6) shall be added as below:

(5) Where the time limit for furnishing of details in FORM GSTR-1 under section 37 and in FORM GSTR-2 under section 38 has been extended and the circumstances so warrant, the Commissioner shall, by notification, specify that return shall be furnished in FORM GSTR-3B electronically through the common portal, either directly or through a Facilitation Centre notified by the Commissioner.

(6) Where a return in FORM GSTR-3B has been furnished, after the due date for furnishing of details in FORM GSTR-2—

(a) Part A of the return in FORM GSTR-3 shall be electronically generated on the basis of information furnished through FORM GSTR-1, FORM GSTR-2 and based on other liabilities of preceding tax periods and PART B of the said return shall be





electronically generated on the basis of the return in FORM GSTR-3B furnished in respect of the tax period;

(b) the registered person shall modify Part B of the return in FORM GSTR-3 based on the discrepancies, if any, between the return in FORM GSTR-3B and the return in FORM GSTR-3 and discharge his tax and other liabilities, if any;

(c) where the amount of input tax credit in FORM GSTR-3 exceeds the amount of input tax credit in terms of FORM GSTR-3B, the additional amount shall be credited to the electronic credit ledger of the registered person.

Accordingly, Notification No. 17/2017-Central Tax dated 27 July 2017 was issued by CBEC.

(8) To ensure uniformity all Notifications to be notified simultaneously by the Centre and States, a time period of three working days shall be given to the States from the time the draft prepared by CBEC on the basis of decisions of the GIC/GST Council after vetting by the Union Law Ministry, is shared with the States. The GIC agreed that the decision regarding exchange rate for invoicing of the export of goods by amendment to Rule 34 shall be notified with immediate effect.

(9) Amendment to Anti-profiteering provisions in the State GST Rules, as follows:-

(i) For Rule 122, the following shall be substituted, namely;

“122. Constitution of the Authority. - The constitution of the Authority shall be in accordance with the provisions of rule 122 of the Central Goods and Services Tax Rules 2017.”

(ii) For Rule 123, the following shall be substituted, namely;

“123. Constitution of the Standing Committee and Screening Committee. - The constitution of the Standing Committee and Screening Committee shall be in accordance with the provisions of rule 123 of the Central Goods and Services Tax Rules 2017.”

(iii) For rule 124, the following shall be substituted, namely;

“124. Appointment, salary, allowances and other terms and conditions of service of the Chairman and Members of the Authority. - The appointment, salary, allowances and other terms and conditions of service of the Chairman and Members of the Authority shall be in accordance with the provisions of rule 124 of the Central Goods and Services Tax Rules 2017.”

(iv) For rule 125, the following shall be substituted, namely;

“125. Secretary to the Authority. - The Secretary to the Authority shall be in accordance with the provisions of rule 125 of the Central Goods and Services Tax Rules 2017.”

(v) For rule 126, the following shall be substituted, namely;

“126. Power to determine the methodology and procedure. - The power to determine the methodology and procedure of the Authority shall be in accordance with the provisions of Rule 126 of the Central Goods and Services Tax Rules 2017.”

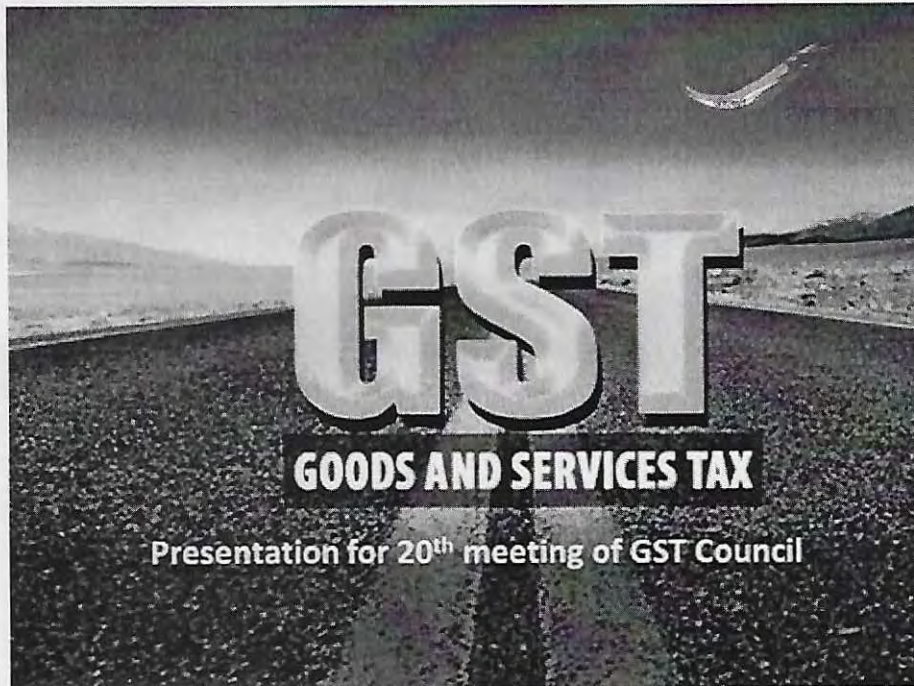
(vi) For rule 137, the following shall be substituted, namely;

“137. Tenure of Authority. - The tenure of Authority shall be in accordance with the provisions of Rule 137 of the Central Goods and Services Tax Rules 2017.”



Annexure 4

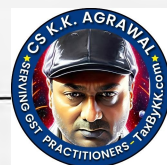
Presentation on e-Way Bill Rules and on changes to CGST and SGST Rules



Agenda

- ☐ E-Way Bill Rules
- ☐ Amendment in Rules





### E-Way Bill Rules



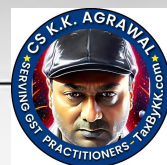
- E-way Bill (EWB-01) to be generated when consignment value exceeds one lac rupees
  - Optional if value is less than one lac rupees
- Registered person (RP) to generate E-Way bill as supplier or recipient whether transporting in his own conveyance or hired one or through road/air/railways
  - E-way Bill to be generated by the transporter (if RP has not generated)
- No need of conveyance details when the distance between POB of consignor & of transporter is less than 10 kms within the State

### E-Way Bill Rules



- Unique E-way Bill No. (EBN) generated for tracking
- Transporter to update details of conveyance in case of transfer of goods to another conveyance
  - No need of conveyance details when the distance between POB of transporter & of consignee & is less than 10 kms within the State
- Transporter to generate a consolidated E-Way Bill for multiple consignments in one conveyance





## E-Way Bill Rules



- E-Way Bill details to be provided to RP so as to furnish details in GSTR – 1
- Provision for cancellation of E-Way Bill provided
  - Cannot be cancelled if verified during transit
- Prescribed time for validity of E-Way Bill in accordance with distance (in KMs)
  - Validity period can be extended by Commissioner
  - In exceptional cases, transporter may generate another e-way bill

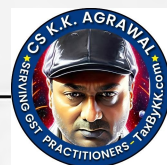
## E-Way Bill Rules



- Option for acceptance or rejection of E-Way Bill by the registered recipient
  - Deemed acceptance if not accepted within 72 hours
- E-way bill not required
  - List of items mentioned in Annexure I
  - If transported by non-motorized conveyances
  - goods transported from international ports, etc. to hinterland ports for clearance by customs
  - Intra-State supplies within a specific limit as mutually decided by Centre- State

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### E-Way Bill Rules



- RP may generate Invoice Reference Number (IRN)
  - Valid for 30 days from date of uploading
- In case IRN generated – Part A of EWB-01 to be auto-populated
- Documents & devices to be carried by a person-in-charge of a conveyance
  - Physical Invoice or E-Invoice Generated through GSTN or Delivery Challan or Bill of Supply
  - E-Way Bill or its number

### E-Way Bill Rules



- In exceptional circumstances, Commissioner may notify that only tax invoice/ bill of entry/ delivery challan may be carried instead of e-way bill
- Commissioner may notify that a class of transporters to obtain a unique RFID and get the device embedded on the conveyance & mapped e-way bill to RFID
- Commissioner to get RFID readers installed





### E-Way Bill Rules



- Commissioner to authorise officers to carry out verification of documents and conveyances
- Online reporting of inspection and verification of documents
  - Interim report within 24 hrs and final report within 3 days
- Generally physical verification only once
- Transporter can upload information of detention for more than 30 minutes

### Amendments to be carried in Rules



- Certain Amendments in only CGST / SGST Rules and some amendments in both
- FORM GST TRAN-1 amended to add details of the input tax credit on account of any services received prior to the appointed day by an ISD
- Rule 103 amended to appoint an officer not below the rank of Joint Commissioner as a member of the Authority for Advance ruling
- Form RFD-01 amended to remove HSN / SAC and UQC, remove information from GSTR-1 and GSTR-2 and insertion of instructions

7



## Amendments to be carried in Rules

- Rule 117 (SGST), if any State has added the words “of eligible duties and taxes as defined in Explanation 2 to section 140”, then the same needs to be omitted
- Rule 119 (SGST) needs to be amended as declaration of stock held by a principal and agent, a reference to section 141 is also required as it deals with stock held by principal and job-worker.
- Rule 122, 123, 124, 125, 126 and 137 (SGST) to be amended
  - In the Anti-profiteering provisions in the SGST Rules, instead of cross referencing them to the CGST Rules, provisions of CGST Rules were adopted





Annexure 5

## Changes proposed in Central Sales Tax Rules

### Definition of 'goods' in CST Act

- Section 2(d) of the Central Sales Tax Act, 1956, has been amended as follows:  
(d) "goods" means — (i) petroleum crude; (ii) high speed diesel; (iii) motor spirit (commonly known as petrol); (iv) natural gas; (v) aviation turbine fuel; and (vi) alcoholic liquor for human consumption;
- This was done to limit the levy of CST on the inter-State sales of only those commodities which are outside the scope of GST.

### Provisions of Section 8(3) of CST Act

- Section 8(3) of the CST Act:  
*(b) are goods of the class or classes specified in the certificate of registration of the registered dealer purchasing the goods as being intended for re-sale by him or subject to any rules made by the Central Government in this behalf, for use by him in the manufacture or processing of goods for sale or in the tele-communications network or in mining or in the generation or distribution of electricity or any other form of power;*
- Therefore, Manufacturers of GST goods cannot procure petroleum products @2% CST from another State, under section 8(3) of CST Act, 1956.
- This may lead to increase in cost of manufacturing and inflation across the country.





## Prior to Introduction of GST

- Before the introduction of GST, some States had imposed Entry Tax on procurement of petrol and HSD by manufacturers, which effectively increased the incidence of tax on these goods on inter-State purchases made by manufacturers.
- However, data shows that only 11 States had levied Entry tax at rates higher than 10% on HSD imported by Manufacturers.

## Rates of Entry Tax on Manufacturers

S.No.	State/Item	HSD	Petrol	S.No.	State/Item	HSD	Petrol
1	Andhra Pradesh	Not leviable	Not leviable	17	Manipur	Not leviable	Not leviable
2	Arunachal Pradesh*	12.50%	20%	18	Meghalaya	Not leviable	Not leviable
3	Assam	4%	Not leviable	19	Mizoram	4%	4%
4	Bihar	16%	16%	20	Nagaland	Not leviable	Not leviable
5	Chhattisgarh	25%	25%	21	Odisha	1%	1%
6	Delhi	Not leviable	Not leviable	22	Puducherry	20%	20%
7	Goa	20%	15%	23	Punjab	8.75%	Not leviable
8	Gujarat	24%	Not leviable	24	Rajasthan	3%	3%
9	Haryana	2%	2%	25	Sikkim	Not leviable	Not leviable
10	Himachal Pradesh	12%	0%	26	Tamil Nadu	22%	30%
11	Jammu & Kashmir	16%	24%	27	Telangana	23%	Not leviable
12	Jharkhand	Not leviable	Not leviable	28	Tripura	Not leviable	Not leviable
13	Karnataka	Not exceeding 5%	Not exceeding 5%	29	Uttar Pradesh	5%	0%
14	Kerala	Not leviable	Not leviable	30	Uttarakhand	Not leviable	Not leviable
15	Madhya Pradesh	25%	25%	31	West Bengal	0%	0%
16	Maharashtra	24% + Rs. 2/lt	26% + Rs. 11/lt	32	Andaman & Nicobar	5%	5%

\*100 % ITC available, gets adjusted with VAT liability

## Representations Received in the Matter

- Ministry of Chemicals and Fertilisers, Government of India: *Adverse impact of Rs. 1000 crores on fertilizer companies*
- Ministry of Steel, Government of India: *Adverse impact of Rs. 535 crores on steel companies*
- Industry:
  - Indian Steel Association
  - Steel Authority of India
  - Sponge Iron Manufacturers Association
  - Bharat Mining and Engineering Company





## Opinion of DIPP

- Matter was referred to DIPP for examination
- Opinion of DIPP:

*The proposal to deny the issuance of C Form under the CST Act would adversely affect the manufacturers due to increase in costs and non-availability of input tax credit. In order to bring uniformity and provide input credit, petroleum products should be brought under the ambit of Goods and Service Tax. Till such time the existing dispensation of C Forms needs to be continued.*

## Proposed Amendment in CST Rules

- Insertion of Rule 2A in the CST (Registration and Turnover) Rules, 1957, and renaming of the said Rules as CST Rules.

- Proposed Rule 2A:

*2A. Manufacturer or processor of goods.- For the purposes of sub-section (3) of section 8, manufacture or processing of goods includes manufacturer or processor of all materials, articles, commodities and all other kinds and movable property, other than newspapers, actionable claims, stocks, shares and securities.*

Thank You

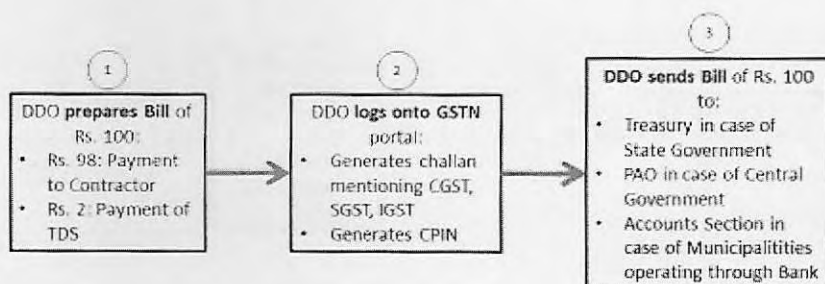
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Annexure 6

## TDS Rules

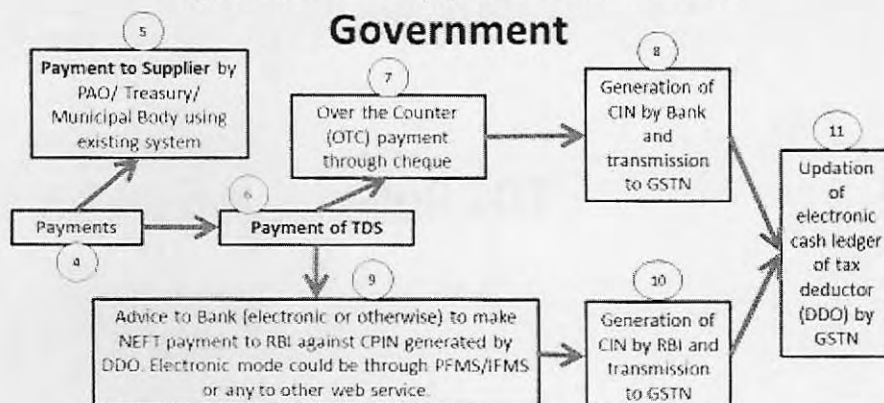
## Preparation of Bill and Generation of CPIN



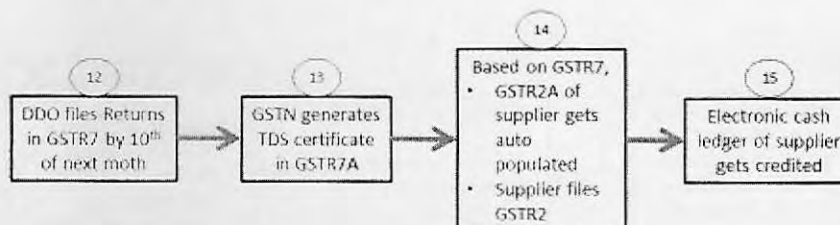




## Payment to Supplier and TDS to Government



## Filing of Returns by DDO and updating of Cash Ledger of Contractor (Deductee)



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